

FAMILY ASSISTANCE ACT OF 1970

HEARINGS
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
NINETY-FIRST CONGRESS
SECOND SESSION
ON
H.R. 16311

AN ACT TO AUTHORIZE A FAMILY ASSISTANCE PLAN PROVIDING BASIC BENEFITS TO LOW-INCOME FAMILIES WITH CHILDREN, TO PROVIDE INCENTIVES FOR EMPLOYMENT AND TRAINING TO IMPROVE THE CAPACITY FOR EMPLOYMENT OF MEMBERS OF SUCH FAMILIES, TO ACHIEVE GREATER UNIFORMITY OF TREATMENT OF RECIPIENTS UNDER THE FEDERAL-STATE PUBLIC ASSISTANCE PROGRAMS AND TO OTHERWISE IMPROVE SUCH PROGRAMS, AND FOR OTHER PURPOSES

PART 2

JULY 21, 22, 23, 28, 29, AND 30, AND AUGUST 4, 6, 13, AND 18, 1970

ADMINISTRATION WITNESSES



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Hon. Elliot L. Richardson, Secretary of Health, Education, and Welfare, accompanied by:

Hon. John G. Veneman, Under Secretary;

Hon. Robert Patricelli, Deputy Under Secretary;

Howard A. Cohen, Deputy Assistant Secretary;

Stephen P. Simonds, Commissioner, Community Services Administration;

Charles E. Hawkins, Special Assistant to the Administrator for Legislative Affairs, Social and Rehabilitation Service; and

John C. Montgomery, Assistant to the Secretary----- 404,
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August 4, 6, and 13:
 Hon. James D. Hodgson, Secretary of Labor, accompanied by:
 Hon. Jerome Rosow, Assistant Secretary for Policy, Evaluation,
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 Hon. Malcolm Lovell, Assistant Secretary for Manpower;
 Robert J. Brown, Deputy Associate Manpower Administrator,
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 Paul E. Barton, Assistant to Assistant Secretary Rosow--- 764, 811, 801

August 18:
 Wesley L. Hjernevik, Deputy Director, Office of Economic Oppor-
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 John O. Wilson, Assistant Director for Planning, Research, and
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THE FAMILY ASSISTANCE ACT OF 1970

TUESDAY, JULY 21, 1970

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10:10 a.m., in room 2221, New Senate Office Building, Hon. Russell B. Long (chairman) presiding.

Present: Senators Long, Anderson, Talmadge, McCarthy, Harris, Byrd, Jr. of Virginia, Williams of Delaware, Bennett, Curtis, Miller, Jordan of Idaho, Fanning, and Hansen.

OPENING STATEMENT OF THE CHAIRMAN

The CHAIRMAN. The hearing will come to order.

This morning the Committee on Finance resumes hearings on H.R. 16311, The Family Assistance Plan of 1970, as modified to reflect administration suggestions submitted to the committee in June.

The family assistance plan is a massive and costly experiment. It proposes to add 14 million Americans to the welfare rolls. In the State of Mississippi, 35 percent of the total population would become welfare recipients. In Indiana, the number of persons on welfare would be increased 790 percent of the 1969 level—9 times as many people.

In terms of money, the revised family assistance plan's cost to the Federal Government is a staggering \$9.1 billion—\$900 million more than the administration's estimates of the cost of the bill as passed by the House, and more than \$4 billion over the Federal cost of the existing system. A program of this dimension, when measured in light of its impact on the Federal budget and the administration of the public debt—over which this committee also has legislative responsibility—demands the sharpest analysis and the most thought-provoking analysis this committee can provide.

It was our hope, when the administration took the family assistance plan back for further study after our 3 days of hearings in April and May, that they would work to improve the bill and make it a better piece of legislation. Perhaps in some areas it is improved. But in significant respects, the new plan is a worse bill—and a more costly bill than the measure which passed the House. I cite these three important areas of deterioration.

1. Unemployed father programs: In January of 1970, 450,000 persons in families where the father was unemployed received welfare payments. Under the administration revision, payments to every single one of these persons would be cut substantially. Today 23 States have this sort of unemployed father program. The Department's estimates

assume all these plans will be ended. I am certain these States and the people aided by these plans would not view this new feature of the administration's family assistance plan as an improvement.

2. Limitation on welfare payments: In 22 States today, the welfare plan provides payments of less than the full need as defined in their statutes. The House bill protects welfare recipients in those States, assuring that they will receive as much in welfare under the bill as they would under present law.

Under the administration's revision, however, the Secretary would set State welfare payments based on the level paid a family with no income. This will mean that thousands of welfare recipients would be cut off the rolls, and many thousands more would find their welfare payments reduced substantially.

In my own State, for example, a woman with three children receiving \$1,500 annually in support payments receives welfare payments totaling \$483 in a year. Under the administration revision, she would be cut to \$100. A widow with three children receiving \$2,000 in social security payments would currently receive \$228 in Louisiana. Under the administration revision, she would be cut off welfare completely and would also be ineligible for medicaid. Similar reductions or cutoffs would come about under the administration revision in 21 other States.

Can anyone imagine people, who would lose their aid because of the administration change, looking on it as an improvement? I think not.

3. Administration discretion: One of the things the committee complained about during the course of its initial hearings on the welfare bill in April and May was the large number of instances in the bill giving the Secretary discretion to set policy. Yet, when members of the committee asked the Secretary what his policy intentions were, he did not know the answer. Some essential matters were involved.

For example, Senator Talmadge questioned the Secretary regarding discretions on the gross income limitation. He said:

Why is it necessary to give the Secretary such absolute discretion as to the level of gross income from business or farming which will make a family ineligible for benefits?

Secretary Finch replied,

We would like to help the committee in that area, because it is a very troublesome one. We tried with the Ways and Means Committee to find a clear-cut test. But as you get into the farming situation, and into the business situation, where a man can write off or spread out his profit or take it at a certain time there are different problems. We frankly don't have the answers to these problems.

Senator Talmadge then asked:

If the Congress passes it in its present form, what limits do you intend to set?

Secretary Finch's response was typical of much of the hearing:

That is not something that we have yet decided, Senator. We are going to have to come back to the committee with another specific recommendation.

He continued:

We will have to come back to the committee with an answer that I am not prepared to give you right now.

Despite the 6 weeks spent by the administration in reconsidering their welfare proposal, they still have not given us any idea what their policy will be and what standards they intend to apply in this

or in many other areas where the House bill grants complete discretion to the Secretary of Health, Education, and Welfare.

Furthermore, the administration revision adds major new areas of Secretarial discretion—again, areas in which we have no idea of their policy. Under the administration revision, for example, the Secretary would define family relationships on a nationwide basis for welfare eligibility purposes. The Secretary would decide when and where child care facilities will be constructed. The Secretary would determine the social services a State must offer and would set minimum performance standards and goals. The Secretary would set the Federal matching share for consolidated State health education and welfare programs. The Secretary would decide which Governors and which mayors would receive the new assistance grants and how much they would receive. The combination of these discretionary features liberally construed, could add \$1 billion to the cost of the program.

When one stops to think of the tremendous power this bill gives the Secretary of Health, Education, and Welfare, he can begin to understand why it is an affront to good legislators who feel they have a right to know what the bill they are acting on actually does. Without knowing the standards intended to be applied in administering this massive new program, a Senator would be doing a disservice to the people he represents if he were to blindly endorse the vast delegations of discretion granted by this bill.

This question becomes even more important when it is noted that both Secretary Finch and Secretary of Labor Shultz, who were the chief administration architects of the family assistance plan, have been replaced and no longer serve in those capacities. We never learned how they intended to exercise their discretion.

We do not yet know how the new Secretary of Health, Education, and Welfare, the Honorable Elliot L. Richardson, and the new Secretary of Labor, the Honorable James D. Hodgson, plan to administer this discretion, and so far as we know, neither of them took part in the policymaking process that led to the family assistance plan. Nor do we know how long either of them will remain in office, or how their successors will apply the discretion they would inherit under this bill.

This is a major bill. It involves 25 million people and costs \$9.1 billion. In the ordinary course of our work, I would be charged with presenting it to the Senate for debate after the committee work is completed. It would be my responsibility to defend the bill and answer the questions of other Senators about its content. But, on the basis of the information which has been provided the committee up to this point by the sponsors of this legislation, that is an impossible task they would place on me. Too much depends on the attitude of the Secretary of Health, Education, and Welfare, and we have not been fairly advised about the standards which would be applied in administering the bill's many discretionary features.

Workfare, not welfare.—Personally, I believe the Senate should be, and will be, given an opportunity to vote on welfare reform this year. In my judgment, a majority of the committee agrees with me that the present welfare system is a shambles, and that it should be either thoroughly overhauled or completely replaced. The concept—workfare, not welfare—on which this bill has been advanced offers the hope

of dignity and self-reliance to people who have suffered for too long the indignity of welfare and dependence.

If we can write a bill which encourages work and discourages idleness—rather than discouraging work and rewarding idleness as the present system and the House bill does—then perhaps we can truly end the “welfare generation” and, in doing so, solve one of the most perplexing domestic issues of our time.

I might say parenthetically that bad as the system is the mind of man is still capable of making it worse.

We are pleased to have as our first witness the Honorable Elliot L. Richardson, Secretary of the Department of Health, Education, and Welfare. Mr. Secretary, we remember the tremendous job you did last week when you testified on the Social Security bill in your first appearance before this committee. I know you will be an able witness on this legislation. We look forward to hearing your testimony, and I urge Senators to resist the desire to ask questions until you have completed your statement in chief.

Senator HARRIS. I would like to make a brief beginning statement, if I might.

Mr. Chairman, I share in some of the concerns which you have expressed about the changed bill. As I have stated earlier, I am hopeful that substitute legislation can be adopted by the committee which will carry out certain fundamental principles that I think are required if we are to have true welfare reform, which is greatly needed.

As I have said before, I believe that the \$1,600 level of payment in the bill before us is inadequate; I believe that it is not right to require mothers of school-age children to go to work against their will; I believe that we do not in this bill have suggestions for adequate incentives for work, allowing a person to refrain more of what he earns; I believe that there is a deficiency in this bill in that we require a recipient to take a job no matter whether or not it comes up to any basic standards of pay, which I think should be required; and furthermore, as I have said before, we talk about workfare and about jobs, about people going to work when, as a matter of fact, we have less work in this country than we had before, and I believe that we ought to add to this bill a program for expanding public and private opportunities for employment.

I am deeply disturbed, Mr. Chairman, by the change in this bill, the regressive change in this bill which goes back on what the Senate has passed on in regard to unemployed fathers so that we would perpetuate and, as a matter of fact, if the administration's changed bill is adopted, make worse the present welfare system which tends to force a father out of the home in most of the States in this country so that his family will be eligible for assistance, thereby further helping to deteriorate families in this country, and I am appalled that the administration would recommend that we do that.

I am also very disturbed by the limitation on welfare payments which is recommended here, and I think that these are matters that this committee should go into in great detail, and I hope that we will be able to improve upon this bill.

But, whether or not the suggestions which I have made and intend to make in the course of this committee's consideration of this bill

are agreed to by the committee, I intend at the appropriate time to move that the bill in one form or another be reported out by this committee as a part of the social security bill, so that the Senate itself will have an opportunity fully to consider welfare reform and all suggestions for improving it.

As I say, I hope the bill can be improved in the course of the hearings and of the executive sessions that we have thereafter, but, one way or another, I want the Senate to have the full opportunity to consider this matter.

Thank you, Mr. Chairman.

SENATOR HANSEN'S SUPPORT FOR GOALS OF THE PRESIDENT

Senator HANSEN. May I be permitted to make a very brief statement?

I first want to applaud you for the excellent job you did in stating some of the concerns, some of the misgivings, some of the doubts that I suspect are shared by everyone on this committee.

I subscribe completely to the goals that the President has set for us in welfare reform. I think that the welfare system does need an overhaul, a complete overhaul. I think that we need to devise some new laws which will give incentive to people to work. I don't think, despite our misgivings about the present bill, that the approach that has been suggested by my very good friend and distinguished colleague from Oklahoma would afford the change though, that could avoid many of the pitfalls that have been discovered in the present legislation.

If we get a substitute bill out on the floor of the Congress, it just occurs to me that we would get so badly mixed up between politics and welfare that we might lose sight of the goals that the President does have and I can't think that the Congress, either body, would have sufficient opportunity to explore the ramifications of the proposals to come up with foolproof answers. So I would hope that we do not take that approach either because to me it would be wrong.

I know that a lot of people share the feeling of the distinguished Senator from Oklahoma that mothers with children should not be asked to take jobs, but I am aware also of the fact that there are a lot of mothers in this country who are supporting their families who do work and who would probably like to have more time with their family if they could, but they can't afford that luxury because they are too busy making a living. I just want to say that as we seek to overhaul welfare reform in this crucial election year, let's not get mixed up, let's not deceive ourselves as to the importance of a studied analysis and survey of whatever kind of legislation may be before us and make blunders and take steps that would result in the very sort of thing you referred to when you said—I am paraphrasing what you said—despite all of the defects that we find in the present system, we are still capable of making it even worse. I would hope that we do not do that.

Thank you, Mr. Chairman.

The CHAIRMAN. Secretary Richardson.

STATEMENT OF HON. ELLIOT L. RICHARDSON, SECRETARY OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY JOHN G. VENEMAN, UNDER SECRETARY; ROBERT PATRICELLI, DEPUTY UNDER SECRETARY; AND HOWARD A. COHEN, DEPUTY ASSISTANT SECRETARY

Secretary RICHARDSON. Mr. Chairman, members of the committee, I feel strongly tempted to take advantage of the moment to offer a few observations on, if not rebuttals to, some of the criticisms that have been expressed about the administration's proposals. But I shall restrain that impulse.

The CHAIRMAN. I compliment you on that. That will just invite more rebuttal to the rebuttal.

If you want to make your prepared statement now is your chance.

Secretary RICHARDSON. Mr. Chairman, I will do that. I am sure there will be occasion for further colloquy with the committee on some of these issues.

HIGHEST PRIORITY PLACED ON FAP

So far as making the present shambles even worse is concerned, I can assure you, Mr. Chairman and your colleagues, that a great many people who would generally be regarded as intelligent have worked many long hours, first within the administration, and then within the other body, to produce the document which is now before you.

As the President has said on a number of occasions, this program is the highest priority domestic legislation of this administration. It embodies a fundamental reform of a badly designed, ineffective, and expensive Government program—the ramshackle structure generally known as public welfare. I am glad to note we all seem to be agreed on our appraisal of the existing system.

This administration's analysis of the current welfare system began without preconceived notions or predetermined remedies, beyond the conviction that the antipoverty and welfare programs already on the books were not working. Rather than helping the poor to move out of poverty, they had perpetuated poverty and encouraged dependency.

The sole directive given to the analysis charged with reexamining the welfare system was to focus on the problems inherent in the custodial approach to poverty. If the system was found to be badly in need of repair, or if it was to be completely replaced, then the President wanted particular attention paid to the possibility of constructing a more remedial approach to welfare. If it were at all feasible, he favored a system directed toward encouraging the natural instinct of people to help themselves to become contributing members of our economic and social system.

Guided by this general approach, the administration's analysis of the problem began a few weeks before the inauguration, with the appointment of the President's Transition Task Force on Welfare.

After the inauguration, a special subcommittee of the Urban Affairs Council, chaired by former Secretary Robert Finch, continued the principal analysis. That examination of this very complex field continued unabated through numerous meetings of the Urban Affairs Council and ultimately involved dozens of experts in and out of Government.

The process was inductive, not deductive. The reform principles around which the family assistance plan was originally designed were shaped to overcome the specific deficiencies revealed by careful study of the current system. These principles, in turn, have determined the operational features of the plan. The whole was refined and strengthened through the patient and painstaking reexamination and reinforcement which it received at the hands of the House Committee on Ways and Means. I look forward to working with you, Mr. Chairman, the committee, and the committee staff to strengthen and improve the plan still further.

To this end, Mr. Chairman, I would like to review quickly the process that has led us to this historic stage in the Nation's development of a fair and adequate program of family assistance.

THE FAILURE OF THE CURRENT WELFARE SYSTEM

The first conclusion compelled by the administration's analysis of the current system was that it is not a system at all, but a confused clutter of many systems. From this has flowed disparity, inequity, and inefficiency.

1. Geographic inequities: The Aid to Families with Dependent Children program is in reality 54 different programs in 54 different jurisdictions. It provides no national standards for benefits or eligibility ceilings. AFDC payments vary from an average of \$46 per month for a family of four in Mississippi to \$265 for such a family in New Jersey. The disparity in payment levels is aggravated by complicated State-by-State variations in criteria for eligibility and methods of administration. Each State has its own prescription of need standards, assets tests, incapacity tests, and requirements for school attendance and the age of children who can receive benefits. Furthermore, the day-to-day administration of the program has varied widely from State to State and locality to locality in terms of equity and responsiveness to the needs of recipients.

To make matters worse, this galaxy of welfare systems has uncontrolled access to Federal resources and their allocation. Each State establishes its own benefit levels, and the Federal Government has an open ended obligation to provide whatever funds are necessary to match them.

The result is not only a potentially unmanageable drain on Federal resources, but also the creation of a system in which the Federal Government is forced into the position of discriminating sharply in its treatment of equally needy families in different States. In those States in which the benefit level, and, consequently, the Federal contribution, is low, this inequitable treatment has proved costly in ultimate terms. We have had to spend vast sums of money for remedial medical, nutritional, and educational programs in attempts to rectify the unfortunate situation which the low level of funding in welfare has produced.

2. Complex and inefficient administration: The paperwork and red-tape associated with welfare have become notorious. Elaborate budgets of need are constructed, entailing an item-by-item investigation of the family's situation. State standards of need often bear little relation to actual payments, and complicated formulas using rateable reductions and maximum payments are applied to calculate actual bene-

fits. Minute adjustments are made to reflect changes in the composition of the family and the ages of its members, or as special needs arise. The resulting paperwork inundates social workers. The baroque administrative organization is fraught with error, and is largely incomprehensible to recipients and the public alike.

3. Services: The complex, localistic, and punitive character of the present welfare system destroys, in large part, the ability of the social worker to provide badly needed services to the recipient family. Not only are social workers overburdened with paperwork, but they are also forced into the role of policemen and guardians of the public purse—a role which has often been felt to be antagonistic to the client. This prevents social workers from becoming recipients' counselors. Thus most recipients are deprived of opportunities to talk with social workers and benefit from their professional training and skills.

4. Inequitable treatment of the working poor: The most striking defect of AFDC, however, and the reason that it cannot be reformed simply by adding national standards or streamlining administration, is its artificial restriction of eligibility. Since 1935, AFDC eligibility has been confined by the uncritically accepted notion that families headed by a full-time male worker do not need assistance. AFDC was accordingly designed for families headed by women and shaped by the belief female heads of households could not and should not be required to work.

The unfortunate truth, of course, is that the assumption on which AFDC rests—that the income of full-time workers is by definition adequate—is simply not valid for large numbers of families. In 1968, 39 percent of the poor families with children in this country were headed by full-time workers. Their poverty is seldom the result of a defect of character or a failure to try. It is rather the result of the inescapable fact that large numbers of jobs, for a variety of economic reasons, just do not pay an adequate wage—especially for persons with large families.

This committee recognized in its 1967 work incentive amendments the importance of supplementing the income of working women. The so-called 30 plus $\frac{1}{3}$ formula is the law today. But in no State is any federally assisted welfare available to families headed by full-time working men who earn poverty wages—the working poor. While these families may be in equal financial need with families who are helped, they are not entitled to receive Federal public assistance under current law.

This is the heart of the problem of the working poor. AFDC eligibility involves exclusions which cannot be morally or rationally sustained. We have produced a system which reaches only 34 percent of the poor children in the country. We have backed ourselves into a situation in which we will help men who don't work (under the AFDC-Unemployed Fathers program), but we cannot help those who do work.

Under current law, it is easily possible for a man on welfare who does no work at all to be economically better off than a man who works full time. But I believe that every man who is physically able to work should be required to do so, and that it should be in his interest to do so. Under present law, as a result of the 1967 amendments, AFDC-UF contains a work requirement. If a man complies with this require-

ment, however, he very often will be economically worse off than if he manages to evade the law. Thus we are telling him to penalize himself financially by taking full-time work. This is a greater sacrifice than we require of even the taxpayer in the highest bracket.

This inequity inflicted on the working poor is not rare. In 1968, over one and one-half million families—consisting of about 7.8 million persons—were headed by full-time workers and were still in poverty. Many of these people lived next door to welfare recipients who were economically better off than they were.

This unwise and unjust public policy has had predictable results in terms of social tension. First, an understandable discontent has been generated among those who are excluded and who see others no worse off than they are being assisted. Second, ominous racial overtones have developed, since current AFDC recipients—those who are helped—are about 50 percent nonwhite, while the working poor—those who are excluded—are about 70 percent white. This country can no longer afford to have one of its most important and needed antipoverty efforts viewed, by many of its citizens, as a divisive, unfair, and arbitrary failure. Such a view does not help to bring us together, does not promote understanding among people, and does not help to restore public confidence in the wisdom of our social policies.

5. Work disincentives: A further consequence of the exclusion of families headed by working men from AFDC is that it produces wrong-way work incentives—incentives which encourage less work, not more. We have created a program which penalizes rather than rewards work, a result out of character with our cultural heritage.

There are, in fact, three different types of disincentives to work built into AFDC, as Secretary Finch pointed out in his testimony on April 29.

First is the problem created by the 1967 amendments as they relate to State need standards: A working woman is not eligible for welfare support, under present law, if her earnings are in excess of the State-defined need standard. However, a working mother who happens to be earning less than the need standard becomes eligible for supplementation of her wages even beyond the need standard through application of the "30 plus one-third" earnings incentive formula.

The CHAIRMAN. Would you mind stating the rule, Mr. Secretary, for clarity?

Secretary RICHARDSON. Well, the rule in question, Mr. Chairman—

The CHAIRMAN. The "30 and one-third" rule.

Secretary RICHARDSON. (continuing). Provides that the AFDC mother who goes to work may receive \$30 a month of her wages without any loss of AFDC benefits for her family. For earnings in excess of \$30 a month, she loses \$1 in AFDC benefits for every \$1.50 she earns. In other words, she is allowed to keep one-third of her earnings above \$30 a month. And it is the consequence of that rule which I was about to describe.

The CHAIRMAN. They were worse off without that.

Secretary RICHARDSON. It was designed as an incentive. The point we shall try to demonstrate here, is that the effect of the rule was that a woman who—

The CHAIRMAN. My only point is insofar as you have the "30 plus one-third" rule, that that is much better than nothing. There used to

be a complete cutoff of welfare to the extent of the earnings that she made. So insofar as we have that at least that is an improvement over what we had prior to that time. That is what I had in mind. I thought you ought to explain it so we would understand it.

Secretary RICHARDSON. I think this is true. It was a measure which added a degree of incentive which had not been in the law before.

The CHAIRMAN. I would like to have been more liberal but that was the best I could get at the time.

Secretary RICHARDSON. I am not suggesting that it wasn't a step forward. I was pointing out it has created an incidental inequity which we think the present administration proposal properly corrects. It preserves, in effect, the positive contribution of the 1967 amendment while going further in the right direction.

Reverting to the bottom of page 8 of my statement:

A working mother who happens to be earning less than the need standard becomes eligible for supplementation of her wages even beyond the need standard through application of the "30-plus one-third" earnings incentive formula. Once on welfare, this woman could easily have a total net income of earnings plus welfare which is higher than the income of the woman who has only earnings. In some States a mother who has only earnings. In some States a mother of three children can earn as much as \$9,000 a year and still qualify for welfare supplementation by virtue of the "30-plus one-third" rule and the other exemptions—work-related expenses, health insurance, and mandatory payroll deductions, to mention three—that States may allow in addition to the federally mandated "30-plus one-third" rule.

Second, the current welfare program has a built-in incentive for men who are employed part time to keep their work effort limited and not seek full-time employment. Under the AFDC-unemployed fathers program, only families headed by fathers working no more than 30 hours per week—or 35 hours, at each State's option—are eligible. Thus, a father on welfare is better off working, under the "30-plus one-third" formula, only if he doesn't work more than 30 hours per week. If he works more than that, he is suddenly no longer "unemployed" under the regulations, and he loses the supplementation provided under the "30-plus one-third" formula. This measurement by hours means that men are worse off working full time and receiving a welfare supplement. Nor is the problem solved by simply changing the regulation to decrease the number of hours used to define unemployment, for that only moves the notch to a lower point on the earnings curve, leaving men with an incentive not to seek even part-time jobs which entail more than the permissible number of hours of work.

This, of course, is inherent in the problem of coverage. We will come to this further on in my statement where I discuss the earlier criticisms of this program raised by the committee insofar as there were built in notches.

Third, a work disincentive is produced by the exclusion from AFDC of male full-time workers, which I have already described. Many of these men would fare better on welfare than they do by working. In fact, any male head of a four-person family earning less than \$1.85 per hour in a full-time job in Illinois, or \$2.16 per hour in New York, would have more cash if he were on welfare. Such a work incentive, which is the result of a public program, rather than of any free-market

forces, is not justified by any countervailing social policy that I can discern.

6. Family breakup incentives: The exclusion of the working poor from federally aided assistance has yet another perverse effect—encouragement for families to dissolve, or for couples never to marry. In situations in which a full-time workingman is not making as much as his wife or the mother of his illegitimate children could receive in welfare benefits, the couple is better off financially if the man leaves the home.

The family stability problem, to be sure, is very complicated. It has many causes rooted in the complex social problems of industrialization and urbanization. We do not understand all the intricacies of family dissolution, nor do we have data that show a definite cause-and-effect relationship between welfare and family instability. But we do know that over 70 percent of the fathers of families currently on AFDC are "absent from the home," and that the present welfare system provides a *prima facie* incentive for breakup. Our current welfare law clearly discriminates against those intact, poor families who are making substantial efforts to work themselves out of poverty. This seems vicious and irrational. Socially, it is a self-defeating policy—one which the poor themselves see as exacting the pound of flesh of family breakup as the price for income supplementation.

7. Adult categories: The present system also produces severe problems for the adult assistance categories, although the crisis here is more muted. The same geographical inequities and administrative complexities exist for these categories as exist for AFDC. The adult programs also contain other features which are of more serious import.

In many States, the program of Old Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled are funded at truly pitiful levels. Most of the recipients in these categories cannot be expected to work or receive substantial assistance from relatives or friends, but the system nevertheless allots them only tiny sums.

Also, the States control eligibility rules and administrative procedures, resulting in anomalous variations in assets tests, rules on relatives' responsibility, and work incentives from State to State.

THE BASIC PRINCIPLES OF FAMILY ASSISTANCE

Confronted with the glaring deficiencies of the existing welfare system, the President concluded that nothing short of fundamental structural reform would do. He could not in good conscience propose new patches on a jerry-built system defective to its foundation.

I want to emphasize again that this administration did not enter office determined to put into effect the specific kinds of welfare reforms which we have proposed. Neither the philosophy of the President nor our currently-restricted budgetary situation would have permitted us to propose such revolutionary and expensive legislative initiatives unless we were convinced that they were inescapably necessary.

The reform principles underlying family assistance are thus in every instance traceable to the foregoing analysis of what is wrong with AFDC. I have elaborated those wrongs in the hope that the

committee would see that the recommended solutions flow from the basic defects of current law. I can summarize our cornerstone principles as follows:

1. Uniform national standards through establishment of a floor under welfare benefits, requirement of a new financial division of labor between Federal and State levels of government, and national eligibility rules;

2. More efficient administration through simplified application and benefit calculation procedures, separation of services from cash benefits, consolidation with other related programs, and Federal administration;

3. Strengthened work incentives and requirements through the elimination of "income notches," expanded training and day care, and mandatory work registration;

4. Inclusion of the working poor to achieve basic equity and anti-poverty effectiveness; and

5. Reform of adult categories to achieve more equitable and efficient programs.

I would like to discuss each of these fundamental points briefly before taking up the central question of the working poor in greater detail.

1. Uniform national standards: Family assistance will replace the 54 different State and territorial AFDC programs with a single program for families. We would also substitute a single integrated adult category system for the more than 150 different programs of aid to the aged, the blind, and the disabled.

We must recognize that Americans are mobile people, and that problems in one State have effects elsewhere. Poverty and welfare are national problems requiring national solutions. Foremost in any such national solution must be an effort to assure that citizens who live in different States do not receive grossly different treatment at the hands of their governments. We must insure that a minimum level of welfare support exists nationwide, for the problems of low-paying States like Mississippi today are the problems of high-paying States like New York—and indeed, of the whole country—tomorrow. Family assistance establishes such minimum support levels: \$1,600 per year (plus about \$860 in food stamps) for a family of four, and \$110 per month for individuals in the adult categories.

But promulgation of a nationwide minimum benefit is not enough, because low-paying States could abolish their family program, rather than raise payments to the Federally mandated minimum. To avoid this problem, family assistance insures the provision of a minimum benefit by full Federal financing of that portion of the payment. The States, assisted by 30 percent Federal matching up to the poverty line, can then assure more adequate total benefits by supplementing the minimum payment.

This two-tier system has a further advantage over AFDC: it limits the present open-ended Federal funding commitment. The family assistance plan returns to the Congress the control over spending which it should rightfully have. The basic payment to a family of four is limited to \$1,600 per year in Federal funds, and no matching is provided for above the poverty line in supplemental payments. The States are protected in this arrangement through a "hold harmless"

provision, which assures that they will not be required to spend more on welfare in the future than they spend in fiscal 1971, adjusted for cost-of-living increases. Many States will, in fact, experience substantial fiscal relief.

Finally, the national uniformity provisions require the establishment of a single set of eligibility rules and program standards for all States. With a single major exception—variation in levels of State supplementation—we will have an income support system which treats citizens in fundamentally the same manner, no matter what State they are in.

2. More efficient administration: National uniform eligibility rules make possible another vital reform: simplification and streamlining of the notorious welfare paperwork and administrative morass. Family assistance terminates the present practice of basing benefits on minute investigations and computations of family budgets. Eligibility for aid would be determined on a simplified basis, which would include cross-checks of earnings data and sampling of recipients reports as protection for the system.

Strong incentives are provided for States to contract with the Federal Government to administer the supplementary payments, thereby achieving economies of scale on a nationwide basis. Moreover, our latest amendments would allow States to contract with the Department for consolidated administration of all public assistance cash programs, including food stamps and medicaid eligibility determinations.

3. Social services: Although I understand, Mr. Chairman, I will make a separate presentation on the administration's proposed social service amendments this Thursday, I would like to touch on them briefly now. Family assistance would provide a new system for clients to be referred to State and county social service agencies from which they could obtain needed work-enhancing social services and counseling. These amendments require a complete separation of welfare eligibility functions and social services delivery, and incorporate a major program expansion in the area of foster care and adoptions.

Particularly important, in my estimation, is the proposed part B of the new title XX. It provides that if a Governor submits a consolidated plan which incorporates his social service program and one or more other HEW service programs, he may transfer up to 20 percent of the total funds from any one included program to another. This permits the States, for the first time, to shift Federal service funds among program categories to better meet their own State and local needs and priorities.

We believe that these new programs will revolutionize the current social services situation. The social worker will no longer be the policeman or the paper-ridden clerk, but will, in many places for the first time, be able to spend most of his or her time and energy counseling, advising, and generally assisting clients.

4. Inclusion of the working poor: As the members of this committee know, important issues are the most difficult ones. We think the single most important issue which must be faced if we are to have meaningful welfare reform is whether an income supplement for the working poor is essential. This is a difficult question for some of you. Many arguments support a negative answer. I believe, however, that an affirmative answer to that question is inescapable. Four principal considerations seem compelling to me:

(a) The need to provide equity: First, very simply, coverage of the working poor eliminates the harshest inequities of the present system. If we require that men must work to be eligible for assistance, how can we in good conscience fail to ensure that full-time workers are better off financially than people who don't work? Failure to supplement the incomes of full-time workers can make it profitable for them not to work. A system which encourages evasion of work requirements is unjust and counterproductive. After carefully weighing the pros and cons, we are convinced that to achieve equity in the system and for our low-income population, we must include the working poor in family assistance.

(b) Reinforcement of the free market system: Second, we believe that granting public income supplements to low-wage workers is the only effective way of dealing with the poverty and inequities to which this group is subject while at the same time preserving a free market system. Our economy creates unparalleled opportunities for workers, but simultaneously creates disadvantages for a minority of workers. A significant number of jobs at the low end of the wage scale is an unavoidable result of a free market economy in which wages are set primarily by worker productivity and competitive forces.

From this perspective, it is not unreasonable for the government to assume greater responsibility for providing those persons who are bearing some of the brunt of our economic vitality with more income protection. Far from undercutting market incentives, a well-designed program of income supplements for the working poor bolsters the free market economy.

(c) Work incentives: Third, quite aside from arguments based on equity, it is impossible to establish a proper system of work incentives and at the same time exclude the working poor. This committee has been properly concerned that a consistent set of work incentives be designed, and our latest proposals are substantially directed toward that goal. Inclusion of the working poor in the cash maintenance and medicaid programs—they are already included in the food stamp and public housing programs—is necessary to ensure that people will always be better off by working more.

(d) Antipoverty effectiveness: Fourth, we should extend income supplements to the working poor to attack fundamental problems of poverty. As the committee knows, 39 percent of the poor live in families headed by a full-time worker. At the same time, AFDC reaches only 35 percent of the poor children in the country. Family Assistance, on the other hand, will reach 65 percent of all poor people and 100 percent of all poor families with children. FAP payments to working families with children will move almost 2 million persons across the poverty line, and an additional 500,000 persons across the low-income line.

This committee is also familiar with the effects of poverty on family life, personal achievement, and social stability. We know that low incomes critically affect the diets families purchase, and that malnutrition among children produces mental retardation and poor school performance. This undercuts efforts to upgrade and enrich their education.

Just as our various manpower programs should be viewed as investments in human resources, the family assistance plan should be seen as an investment in the future of our children.

In recent years, we have expanded family counseling programs, enriched compensatory education, and instituted rehabilitation programs for criminal offenders and juvenile delinquents at high per capita costs. These efforts are greatly needed, but they will be less effective than they might otherwise be unless we also take greater and more direct actions to increase the income of the poor and the children of the poor.

5. Strengthened work incentives and requirements: As the committee knows, no principle in the family assistance plan is more important to this administration than strengthening the work incentives of the current welfare system. I have already mentioned that AFDC involves three critical "income notch" or work disincentive problems. Family assistance as modified by our amendments transmitted on June 11 completely eliminates all three of these problems.

Moreover, those amendments and the commitments which accompany them will go still further, as I will explain later, and eliminate the notch problems caused by other programs, such as food stamps, public housing, and medicaid.

Finally, to make the work incentives and requirements effective, we have included a comprehensive program of manpower training and child care, with over \$600 million in additional funding. We plan to train thousands of FAP recipients each year, teaching them new skills and upgrading old ones. We also plan to provide day care for every FAP family which needs it, both while its breadwinner is engaged in training and after he has taken a job.

Building on the initiatives which this committee undertook in 1967, the family assistance plan relies on both incentives and a strengthened work requirement. Recipients must register for and accept work or work training to receive FAP benefits. If they do not comply with this requirement, they will lose \$500 per year in benefits. I want to reemphasize that each and every able-bodied adult recipient, with limited exceptions strictly defined in the bill, is required to enter training or employment.

6. Incentives for families to remain together: Because we have included the working poor in our income supplementation, improved work incentives, and established penalties and requirements which are consistent with the basic philosophy of income maintenance, we believe that we have substantially reduced—and in many cases eliminated—the incentives for families to break up if they wish to supplement their incomes with public assistance.

Let me again emphasize that determining cause and effect in this area is difficult. But I think we can all agree that the prima facie economic pressures on intact, poor families would be greatly reduced by family assistance cash benefits and the supporting programs of manpower training, day care, and social services.

7. Adult categories: We have improved the adult categories in two significant ways. First, we have provided a national set of eligibility standards and a national minimum level of income for all recipients of these categories of aid. This will mean a great deal in simplifying administration, increasing dignity of the recipients, and eliminating much of the poverty which now plagues these people. I might add here that under this bill, an aged couple's minimum income from all sources would be greater than a poverty level income, and that a single aged

individual's minimum income would be more than 80 percent of the poverty level.

The second major improvement in the adult categories is establishment of nationwide eligibility rules, following the same principles as family assistance, to replace the present complex of State-by-State variations.

REVISED FAMILY ASSISTANCE PLAN

Mr. Chairman and members of the committee, I have tried to set forth the essential elements of the analysis which led this administration to propose the family assistance plan. Further intensive discussion with the House Committee on Ways and Means produced the bill which was the subject of hearings before this committee which began on April 29. Those hearings focused attention on the interrelationships between the family assistance plan and other programs providing assistance to poor people—medicaid, food stamps, and public housing. The fact that the interaction among these programs had the effect, in some instances, of undercutting incentives for work and self-support was brought into sharp relief. This committee and the Department of Health, Education, and Welfare accordingly agreed that the administration would reexamine the family assistance plan in order to devise, if possible, means of eliminating these disincentives. The result was the administration amendments and proposals forwarded to you on June 11. In developing these proposals, we have tried to reinforce the principles derived from our earlier studies, and I think we have succeeded.

1. Family health insurance program: As the committee knows, the current medicaid program has serious defects which complicate family assistance:

Families among the working poor which are headed by males are typically excluded, while families headed by females and non-working males are included. The result is that working people are less well off than those on welfare, and many families are better off if the father leaves the home.

Welfare recipients suddenly lose entitlement to medicaid coverage once they work their way off the assistance rolls. The result is an income notch, or a strong disincentive to work.

Benefits and eligibility rules vary widely and inequitably from State to State.

We have not at this time been able to perfect in its entirety a program to replace medicaid for the population covered by the family assistance plan. We have, however, committed ourselves to a fundamental reform along insurance lines which will cover all poor families with children, bringing equitable treatment to the working poor; require a modest contribution from participating families, which will be scaled to increase with income so that a work disincentive "Notch" is not created; and provide a Federal floor of medical services nationwide which States could supplement in a manner similar to that under family assistance.

This legislation will be submitted to the Congress for its consideration no later than February 1971. Merely because this proposal is not yet developed in specific is no reason, of course, to delay action on the family assistance plan—a reform which is needed now and stands on its own feet.

2. Food stamps: The present food assistance programs not only create wasteful and unnecessary administrative overlap with the family assistance plan, but also produce income notches and work disincentives. This problem is intensified because food stamp benefits do not smoothly decline to zero under the current schedule. Thus, a recipient can still lose more of his food purchasing power than he gains from increased earnings, as his wages rise above the eligibility point.

The administration proposal to correct these defects would smooth the stamp schedule by administrative action so that no work disincentive notch remains; simplify administration by permitting family assistance recipients to "check off" on their applications the cash to be applied for the purchase of stamps, with cash and stamps (or a voucher for stamps) sent to them in one transaction; and unify administration at the Federal level by a reorganization plan, shifting administration of food stamps from the Department of Agriculture to the Department of Health, Education, and Welfare.

3. Public housing: The public housing issue arises from the fact that this locally administered program has, in some cities, provided subsidies which have not been structured to decline as personal income rises. A family may suddenly lose entitlement to its substantial in-kind benefits at the eligibility ceiling, and the loss may more than offset the gain in earnings. (This is not a numerically substantial problem in connection with family assistance; only about 6 percent of recipients throughout the country will occupy public housing.)

The administration had already recognized this problem, however, and proposed a solution in the Housing Act of 1970. Under that bill, a family would pay 20 percent of its net income under \$3500 and 25 percent of its income above that amount, up to the fair market rental charge, as rent. As its income and rent increase, the housing subsidy would steadily decline to zero, without any sudden termination of benefits, and without a work disincentive. A draft of this provision has been forwarded to this committee for its consideration.

4. Unemployed fathers provision: During the spring hearings, the committee noted that under the House-passed bill a work disincentive and equity issue regarding the AFDC-UF category remained.

I might add, Mr. Chairman, we have here as elsewhere an example of the fact that it is impossible to cure one defect in the system without in some cases, in most case raising some other problem. At any rate, what was done here was to provide that families headed by males who worked full time would receive only the Federal family assistance benefit, while those in the "unemployed fathers" category (that is, male heads of families who are unemployed or working less than 30 hours per week) would receive both family assistance and State supplementary benefits, an amount equal to what they receive under current AFDC law.

The administration has proposed eliminating this problem by abolishing the Federal matching assistance for recipients in the unemployed fathers category—about 90,000 families out of a total AFDC caseload of almost 2 million families. As a result, all male-headed families would be treated alike, and an unbroken set of incentives would apply. We realize that there will be some reduction in benefits for the 90,000 male-headed families currently on AFDC-UF. However, the basic family assistance and food stamp package of \$2,460

for a family of four, plus a subsidized health insurance plan, represents a substantial gain for families with unemployed fathers in the 27 States without an unemployed fathers program now.

The potential loss to some recipients makes this feature one of the most controversial of the changes. I would therefore like to explore alternative options we considered with respect to the unemployed fathers program, and explain why we rejected them as unsatisfactory.

The first solution we considered was redefining eligibility by reducing the ceiling on the number of hours one could work and still receive family assistance. Lowering the hour limitation does not eliminate the notch problem, however—it only moves the notch to a lower income level.

Another solution we considered was mandating extension of State supplementation to the working poor. This would eliminate the differential in treatment between part-time and full-time male workers, but would cost roughly \$1 billion in fiscal year 1971 alone. Neither the States nor the Federal Government now have the resources to take this step.

D. Conclusion: We believe that these amendments make related welfare programs supportive of family assistance, and help consolidate the real gains in equity, work incentives, antipoverty effectiveness, and national uniformity made by family assistance. These are standards which the public rightfully expects the policies and programs of its Federal Government to meet.

Our proposal will produce many new and desirable features which the present system either lacks or contains in inadequate measure.

First, it will provide a unified system of eligibility determination, referral, services, and incentives for the recipient. The services will include counseling, manpower training, child care, and medical care. For the first time in our history, all of our poor children and most of our poor adults will be treated as whole human beings, rather than as parts of human beings eligible for only categorical benefits.

Second, and most important, is the preventive thrust of the entire program. Our poor people will get the cash and service benefits they need most, when they need them, and where they need them. This will prevent untold misery and despair and save untold billions of dollars as today's children of poverty grow up.

I have tried to explain and re-create for you some of the reasons we have made the decisions on the welfare reform which is before you today. We have presented, for your consideration, a program designed by reasonable men to meet a critical series of problems. It is, to be sure, not perfect. But then, it has been designated by men, and we are not perfect.

The problems demand the best that is in us, and we have given this issue our best efforts. I am convinced of the need for an income maintenance system to replace the current nonsystem.

We must remember that this system cannot solve the problems of severe labor dislocation, inadequate coverage of other social insurance programs—such as unemployment insurance and social security—or inadequate education. This program can only be expected to give us a new perspective from which to examine current and future welfare problems, and a new foundation upon which to build.

The issue of income maintenance and family assistance is exceedingly vast and complex. Finding solutions within it is an exciting challenge with great implications for the future of this Nation's poor, and indeed, of us all. I am prepared, Mr. Chairman, to work throughout this summer with the committee and its staff to help draft a bill that improves the current welfare law. I pledge to make every resource of the Department of Health, Education, and Welfare available to help the committee meet the challenge.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Secretary.

Now, if you want to comment on some of the opening statements you may, otherwise I am going to ask a few questions.

Secretary RICHARDSON. Well, I think, Mr. Chairman, that these points probably will emerge in the course of questioning. Rather than deal with them now, I would be very glad to proceed to questions.

AFDC PROGRAM

The CHAIRMAN. First, Mr. Secretary, after we have condemned all of the problems that we are having with the AFDC program at this time, I think it well to point out that our other welfare programs are not subject to as much criticism as this. I know I started out in this area coming here representing the State of Louisiana working out a plan for the aged, and generally speaking the program that we have developed for the aged, for the disabled and the blind are not subject to the kind of serious criticism that we have with regard to the AFDC program, are they?

Secretary RICHARDSON. No, I think not. I think the chief criticism is the one I have touched on, namely the variations from State to State, both in levels of benefits and in eligibility requirements.

The CHAIRMAN. But insofar as we have a program we are helping the States to provide for the aged and while it may be worth considering making that a Federal program one of these days, we recognize the States are doing a lot better job of providing for the aged and the disabled and the blind than they once could.

Now, the difficulties come mainly in this program of aid to families with dependent children and I would submit that even with regard to that it is not defective to its foundation, as you have suggested here, because its foundation was solid and logical. The foundation was a compassionate humanitarian objective of saying where there was no father available to support a child that we would make welfare payments on behalf of the child to someone, the mother or someone to help with that child. And from the minimal start that would be the logical beginning, would it not?

Secretary RICHARDSON. Yes, I think it is perfectly understandable that the program evolved in the way it did. I think the problem we face is that it was a piecemeal process which has created a structure that is now unmanageable.

The CHAIRMAN. But then when we started that we got into this situation. We were confronted with the situation that if we would not include a family with a father, then the father was inclined to leave home so that his family could draw the welfare payments. When you provided welfare payments if the father was unemployed, then he found it advantageous not to take a job, if he could receive more wel-

fare benefits than he could by working. Quite a bit of that would have been eliminated if we had done what I tried to do the last time we had one of these major bills. I wanted to provide that if the father leaves home we find him wherever he may be and garnish his wages to make up for the welfare money paid to the family. The Department of Health, Education, and Welfare under the previous administration was willing to go along with that approach.

The difficulty was that the tax collector didn't want to be bothered, he just wanted to collect taxes. He said it made it more difficult for him to collect taxes and he just didn't want that burden, he wanted someone else to worry with it.

I would hope to have another try at that. I just don't think it's fair to be taxing people to provide welfare when the father ought to be contributing to the support of his own children. If the Senate will sustain me as they did before that is one place where we will save this Government a lot of money. We will find that fellow and garnishee his wages and send that money back to help look after his children, hoping it would better provide for his family. I want to provide better for these people, Mr. Secretary, just as you do.

IMPLEMENTATION OF FAP

The effective date of this act is July 1, 1971, with regard to the family assistance program, is it not?

Secretary RICHARDSON. Yes, it is.

The CHAIRMAN. So if this bill becomes law by January 1, would we have reason to feel that you could not gear up to administer the new program in the 6 months that would then be left?

Secretary RICHARDSON. I think this would create a very real problem, Mr. Chairman. Depending on the rate of progress we make in this session we may well want to consider and to discuss with you a deferment of the effective date. Even as of now we would have considerable difficulty in being ready to go on July 1, 1971.

The CHAIRMAN. But with regard to that program, if we can solve and resolve some of the difficulty and complicated administrative problems here that would spend the rate at which this program could be put into effect.

WORK INCENTIVE PROGRAM

Now, Senator Talmadge has introduced some suggestions as to ways that we can implement the work-incentive program. You haven't had a chance to study those. I am sure that you are aware of the fact that he did introduce some suggestions along that line yesterday.

Secretary RICHARDSON. Yes, sir.

The CHAIRMAN. And I personally introduced a measure to provide day care for the children. You perhaps are aware of that by now. I introduced it about 5 o'clock yesterday afternoon. Those are two suggestions that we would make in ways that—

Secretary RICHARDSON. Yes, sir.

The CHAIRMAN (continuing). In ways that this program could be improved upon. We went into the work-incentive aspects of this thing a couple of years ago. There was some fear we might put people on this and make it possible for people, either the employer or the em-

ployee, to take unfair advantage of the work-incentive program. Our disappointment in the area was it was not fully utilized.

Do you know of any abuses occurring in the work-incentive program, people drawing benefits from it who should not be benefiting from the program?

Secretary RICHARDSON. I haven't heard of evidence on specific cases. But this is something that is being policed all the time. There may well be some that haven't been brought to my attention.

The CHAIRMAN. It seems to me the stage is set to move forward in this program and become ambitious and try to do more with it. We are not getting anything like the results with work incentive that we hoped that we could.

Well, it is my hope, Mr. Secretary, that we can work together as you have suggested here and as I personally would like to see us do, to report a bill that would benefit everyone. I do submit, however, that once we put people on the rolls who don't belong there it is difficult to get them off. Some time ago in the veterans' area we provided some unintended veterans' benefit and the only way to get out of the hiatus was to provide more benefits so that everyone else would get in on it rather than take away those who get it. It is a lot easier to put people on who never should have been there rather than taking off people who were placed there without logical and sufficient reason to begin with.

So I hope we can work together on this and we find the answers and incorporate them into an effective bill that I would hope would make sense.

Secretary RICHARDSON. Mr. Chairman, you invited me a moment ago to comment on some of the remarks that were made by yourself and other Senators at the beginning of the hearing. There is one point which I think we should straighten out now. I would like to ask Under Secretary Veneman to answer.

Mr. VENEMAN. In reading the committee print on the State of Indiana, I got as far as the second paragraph and found an error. There was a decimal point in the wrong place under the nonwork families that would be receiving State supplements. So that in your opening statement on the increase in the number of persons on welfare, the State of Indiana would not increase nine times, it would increase three times. The present caseload is approximately 100,200 persons including adults and families. The 1971 estimate would be 298,100. So it is a little less than three times the present caseload.

This figure was on page 35 of the committee print, Senator Miller. Where it says "643.1" it should be "64.3."

The CHAIRMAN. I am glad to have that correction; that is what we want. We want to have facts and insofar as we are in error, we want to be corrected. Goodness knows we have corrected you time and again.

Senator BENNETT. What is the page again?

Mr. VENEMAN. Page 35 of the committee print. Apparently both of our staffs overlooked that particular point.

Senator HANSON. Where is the error?

Mr. VENEMAN. On page 35 of the committee print in the column that says "Number of individuals receiving State supplements." The figure for Indiana is 643.1. It should be 64.3.

The CHAIRMAN. I am glad you corrected us and I know why we are in error. We are in error because you gave us the error.

Mr. VENEMAN. That is correct. I am glad we corrected it.

The CHAIRMAN. We want the facts. If you give me the wrong figures and I had nothing better to rely upon, I would have to use them.

Senator Williams.

REGISTRATION REQUIREMENT

Senator WILLIAMS. Mr. Secretary, later I understand that you will have some charts to show us the manner in which you dealt with the notches that were referred to in the previous testimony. I won't go into those right now, but I understand that in this revised bill, perhaps in the original bill too, there is a mandatory provision that those who are recipients, the families who are recipients for this aid under the bill, must register in the work force in order to be eligible; is that correct?

Secretary RICHARDSON. Yes, that is correct, Senator. There are, as you know, certain categories of individuals who are not required to register; for example, the ill, the incapacitated, children, students, and so on.

Senator WILLIAMS. But if they are able bodied, they must register?

Secretary RICHARDSON. If they are able bodied, they are required to register.

Senator WILLIAMS. If they do not, their families do not qualify for benefits; is that correct?

Secretary RICHARDSON. Well——

Senator WILLIAMS. If they refuse to register or refuse to make themselves available.

Secretary RICHARDSON. More precisely, the consequence is that the individual who is required to register and refuses to do so is considered to be the first recipient in the family and the family thereby loses \$500 from the basic family assistance plan benefit. The remaining assistance funds are determined by the remaining number of people in the family and would be paid to someone else.

MILITARY AFFECTED BY THE BILL

Senator WILLIAMS. The suggestion has been made that under this proposal 100,000 families in the military service would be eligible for welfare assistance. Is that correct? If so, how would you work their training program?

Secretary RICHARDSON. This doesn't take into account, Senator, the most recent military pay increase. We are confident that, by the contemplated effective date of this law, there would be no problem on this score.

Senator WILLIAMS. Well, but there would be——

Secretary RICHARDSON. They are, of course, in a good position to get whatever training they need.

Senator WILLIAMS. Well, the point is to the extent that the military are underpaid, don't you agree it would be better to put their salaries on the right basis when they are drafted into military service so their families would not have to be put on welfare?

Secretary RICHARDSON. I do and I take it——

Senator WILLIAMS. This is disassociated from the program in any shape at all?

Secretary RICHARDSON. I think it should be done not by disqualification but by, as you suggest, the establishment of adequate military pay scales.

Senator WILLIAMS. That is the point I am making. I understand there would be a substantial number now even under the revision.

POSSIBILITY OF CONSIDERING ADMINISTRATION'S HEALTH INSURANCE PROPOSALS IN CONJUNCTION WITH FAP

Now, a part of your statement here related to eliminating the notches, as I understand it. On the proposed plan you plan to change the medicaid program, and substitute a national health insurance program; is that correct?

Secretary RICHARDSON. I wouldn't describe it, Senator Williams, as a national health insurance program, if only in order to avoid the impression some people thereby might attain that it covered everybody. What we have proposed is an insurance approach to cover those families who are now covered under medicaid plus the additional families who would be brought in to the family assistance program.

Senator WILLIAMS. I understand that. Now, the question is why would it not be possible to have those recommendations and consider them in conjunction with this bill? What seems to be the problem?

Secretary RICHARDSON. The problem is simply, Senator, that if this were to be done it would require postponement of congressional action on this bill which has, of course, already passed the House. It is a practical impossibility for us to submit the family health insurance plan legislation in time for it to be acted on together with this bill. We have undertaken to submit it by the middle of February of next year. It will take a considerable amount of work to meet this deadline.

Senator WILLIAMS. I can understand the problem of developing a new program, but what interested me in furnishing the charts to the committee you were able to give us the mathematical results of this proposed program and if you had the mathematical results I wonder why you didn't have language to do it. How you could get the mathematics of it without having a program? I noticed you enumerate those in various charts in the bill as to how it would work if and when it is submitted.

Secretary RICHARDSON. I think it is made very clear everywhere in the record, Senator, that these are illustrative figures. It was assumed that a fair premium would be \$500 for a family of four and assumptions were made as to the rate of increase in the proportion of this premium that would be paid by a family as the family income went up. But it will require very careful actuarial analysis to determine what premium is necessary to cover the medical benefits now provided under medicaid. A considerable amount of thought will need to be given to determining the administrative mechanisms which will be needed for accomplishing this. It is also important to emphasize that the result would be the institution of an insurance system which would displace the present welfare determinations of medicaid eligibility for families. All of these things taken together required the conclusion that we should consult with the administrators of public welfare, with the people who operate commercial and private nonprofit health insurance programs and look at the medicare experience of the Social Security Administration before drafting legislation.

IMPACT OF FAP ON STATE TREASURIES

Senator WILLIAMS. The suggestion has been that there is about \$660 million in cost sharing or aid to the States under the family assistance and I noticed the tables that you have on page 26 and 27. But are these tables that you furnished correct? They show that about three or four States get the bulk of the benefits of this cost sharing, the higher income States, whereas the low-income States are actually penalized under the bill?

Secretary RICHARDSON. There are a few States which would have to be covered under the hold harmless clause that prevents their being penalized. It is true, generally speaking, that the States with the largest and most liberal existing public assistance programs would benefit the most in terms of cost savings. I think this is another way of emphasizing the kinds of inequalities and disparities among systems that have grown up under existing law and which would be corrected under the plan.

Senator WILLIAMS. Well, I have noticed \$232 million goes to California, and New York gets \$58.6 million and various other States are all in here. But I wondered to what extent—I wouldn't suggest that the endorsement of this by those States would in any way be effected by the fact they are benefiting under that program. Do you think so?

Secretary RICHARDSON. I don't think that would be a significant factor, Senator. What is involved here is a program that has very far-reaching implications for the whole structure of existing systems and these States must look at it in terms of their responsibilities to families and the desirability of instituting a uniform program with national minimum benefits.

Senator WILLIAMS. The reason I noticed that, I noticed the largest States and the higher incomes do benefit substantially. The State of Mississippi loses about \$9 million under the bill and I agree with you that none of the States would be so mercenary to endorse it on this basis, therefore, any proposed change in this formula would not at all concern them, would it?

Secretary RICHARDSON. Of course it might also be pointed out that the people of the State of Mississippi benefit more proportionately than the citizens of any other State, if you measure the impact of the program in terms of additional income in the hands of poor people of the State.

Mr. VENEMAN. I think, Mr. Chairman, it is only fair to point out Mississippi would not lose as you have stated it.

Senator WILLIAMS. Under the savings clause?

Mr. VENEMAN. We have a "hold harmless" clause.

Senator WILLIAMS. But they wouldn't gain it.

The CHAIRMAN. Senator Bennett.

POSSIBILITY OF RECIPIENT LOSING MONEY UNDER FAP

Senator BENNETT. Mr. Chairman, I would like to direct the Secretary's attention to the second question you raised in your opening statement which would indicate that in 22 States recipients would lose money. You give us two examples. I would like to have him comment on that and whether he considers that serious or whether this is some-

thing that the administration would try to cure with another potential or possible amendment to their original bill.

Secretary RICHARDSON. This is a problem, Senator Bennett, which arises out of the effort to deal with a difficulty that the committee pointed out in the House-passed bill.

Senator BENNETT. Is this reflected by any table? Is there anyplace we can turn to see how this would affect the 22 States involved?

Secretary RICHARDSON. I don't think there is a table. In any event, I think I should take the opportunity to summarize briefly, for the benefit of the committee, how we believe this problem could be dealt with. We are aware that the solution we had initially proposed was subject to some very serious problems. We promised the committee that we would continue to work on it. We owed the committee a letter outlining our conclusions on this which we were unable to complete before the hearings today. But I can tell you that as a result of staff analysis we have arrived at a conclusion under which no beneficiaries would be hurt.

I think that before describing the solution with your permission, Mr. Chairman, I will try to summarize the problem. The situation today is that many States are not in a position to pay benefits to recipients of public welfare equal to the State established standard of need for these recipients. The result is that under the work-incentive provisions of the law adopted in 1967 for AFDC families and continued under the existing provisions of the family assistance plan, earnings are not counted in the interval between the actual level of public welfare payments and the State's standard of need. Within that range the family is able to keep all of the wage earner's income. The result of this provision is that inequities arise with respect to other families who are not already on AFDC.

What we tried to do was to come up with a conclusion that would reconcile these constraints: First was the desire to provide fiscal relief for the States in the amount they had come to expect under the House-passed bill.

Second was the strong feeling against substantially reducing payments to present beneficiaries or eliminating families from the rolls altogether. The third consideration was our strong desire to provide the simple and streamlined administrative approach which was criticized in the chairman's statement.

Looking at the considerations applying to the various alternatives, my conclusion and recommendation to the committee is that we should mandate the present gap filling disregard, that is, the ignoring income between the actual level of payments and the State standard, for people who now benefit from it, for a period of 2 years from the effective date of the bill. I also recommend that we provide that all present recipients who subsequent to passage of family assistance receive outside income and all new recipients be subject to the straight \$720 disregard under the family assistance plan plus the one-half and one-sixth formulas otherwise in the bill.

At the same time, we suggest to the committee that we may wish to solve the problem resulting from the unemployed fathers repeat by a similar clause that would cover existing recipients.

Senator BENNETT. Do you have any idea of how much this would add to the cost of the program?

Secretary RICHARDSON. Our best estimate, Senator, is in the range of \$60 to \$90 million.

Senator BENNETT. No other questions, Mr. Chairman.

The CHAIRMAN. Senator Talmadge.

FINANCING FAF

Senator TALMADGE. Mr. Secretary, last Saturday the President took Congress to task about irresponsibility. I may say I have a good deal of sympathy in his efforts to reduce the budget and try to maintain and balance the budget. The President stated there was a persistent and growing tendency on Capitol Hill to approve increases in expenditures without providing the revenue to pay the cost. I would be the first to agree that the Congress has been guilty of this practice on several occasions.

When Secretary Finch testified before the Finance Committee in April, he stated that the enactment of the family assistance plan would entail a cost of \$4,400 million above present expenditures on welfare. Apparently, as I understand it, you estimate the revised version would cost about \$4,100 million additional in the first year of operation.

In view of the present and past HEW estimates, I would suspect the cost might be nearer 8 billion than 4 billion.

Assuming for the moment that your estimate is correct, I think the committee is entitled to know where the \$4,100 million extra money is going to come from. When Secretary Finch testified before the Finance Committee he indicated he didn't believe that the family assistance plan should be financed by deficit spending. He indicated that the program should be paid out of current revenues.

Now, I attempted to extract from the Secretary information about where the 4 billion-plus was going to come from. He gave a vague response indicating that there would be trade-offs with other programs. He also responded that the administration did not anticipate any new tax authority to meet this obligation.

On May 18 I attempted to find out where these trade-offs would be. I requested a detailed list of programs that the administration intends to eliminate or reduce in order to pay for the welfare bill. I have not as yet received a response to my letter other than a three-line acknowledgement.

The President has seen fit to veto an education bill last year and hospital construction bill this year. As I understand it, the administrative budget for the current fiscal year is out of balance to the tune of about 11 billion. This would add 4 billion-plus.

My question is where are we going to get the money?

Secretary RICHARDSON. Senator, I don't think that unless you contemplate the earmarking of revenue to identify a particular expenditure program with a specific source of revenue an answer is possible. The funds for paying for this program would come from the same sources of general revenue that now pay the Federal share in AFDC and the adult categories of public assistance. Whether or not the result will be a deficit in fiscal 1971 or 1972 is a function of all the other decisions that are made by the Congress and the administration with respect to spending programs and revenue programs. It depends upon the determination, shared by the Congress and the President, to achieve

a balanced budget or given the economic situation as a whole, to endure a deficit.

I am certainly not in a position to say what the competing claim of this program is on all other Federal claims for existing revenue I would not say, on the other hand, that we should decide to defer this program because there may be or in fact is likely to be a deficit in the current fiscal year and the next one.

The chairman raised the question of the effective date and I think that this will bear of course on the actual fiscal impact, depending on the fiscal year in which the program would first take effect.

Senator TALMADGE. Do you agree with Secretary Finch it ought not to be financed out of deficit spending?

Secretary RICHARDSON. I would with all due respect, Senator, not wish to try to characterize the importance of or desirability of any given program on the basis of whether or not in the particular year in which it began to operate there was or was not likely to be a deficit. This is a question that can only be determined, I think, first in the light of the overall Federal program both of spending and revenue and, secondly, in light of its long-term economic and fiscal impact.

In the case of this program, I believe that its long-term fiscal impact will be beneficial to the extent that it will stimulate purchasing power of people who have very low incomes now. Also, it will be fiscally beneficial to the extent that it will, over time, reduce the pressures that are being generated by the uncontrolled upward spiral of AFDC payments.

WORK INCENTIVE PROGRAM

Senator TALMADGE. I am sorry I couldn't understand your answer so I will proceed to another question.

When your predecessor appeared before the committee I asked him how he expected the work incentive features of the administration proposal would remove people from the welfare rolls, if ever. Secretary Finch replied, "We don't." Would you agree with Secretary Finch's evaluation that work incentive features of the bill will not remove people from the welfare rolls?

Secretary RICHARDSON. I think the bill's work incentive features will remove many people, especially when they are coupled with the work training provisions of the bill, the day care provisions and the programs being undertaken now by the Department of Labor, designed to identify job opportunities and speed up the process of matching individuals with available jobs.

Senator TALMADGE. Mr. Secretary, yesterday I introduced amendments to the bill designed to make the work incentive program a workable program. The amendment includes provisions affecting both your Department and the Department of Labor.

I would like to ask you to supply at this point in the record your detailed comments on the provisions of my amendment affecting your Department.

Secretary RICHARDSON. We will be glad to do this, Senator.
(The Department subsequently submitted the following information:)

COMMENTS OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON SENATOR
TALMADGE'S PROPOSED AMENDMENT TO H.R. 16311 (AMENDMENT NO. 788)

The proposed amendment would do the following things. Our comments on major provisions follow the description of each.

1. Exempt from registration for work or training individuals who work at least 40 hours per week or work at least 35 hours and earn a minimum of \$64 per week.

COMMENT

The Administration's original proposals would have exempted from registration persons covered by this amendment. The Ways and Means Committee, after thorough consideration, modified the requirement on the basis that the potential for upgrading was one of the most important features of the bill. The Administration accepts the position of the House Committee and accordingly would not favor the amendment.

2. Reduce the Federal share of the State supplementary payments from the 30 percent level by one percentage point for each percentage point by which the number of individuals referred to the local employment office as being ready for employment is less than 15 percent of the average number of registered individuals.

COMMENT

It is entirely reasonable to have some test to assure effective registration and the provision of necessary manpower and supportive services to bring individuals to a point of work readiness. Unlike the existing WIN program in which the States have broad discretion (with some exceptions) as to who is an appropriate person for referral to the manpower agency, the Family Assistance Plan arrangement is precise and registration is mandatory so that the question of effective referral is not involved. There is, of course, the necessity of assuring child care and supportive services and of assuring that registration results in effective involvement and in training and work experience. Whether the proposed test would effectively achieve these objectives under varying local conditions is questionable. However, we would not object to an amendment to assure, so far as possible, these objectives.

3. Eliminate the authority for the Secretary to enter into agreements for Federal administration of supplementary payments under the Family Assistance Plan.

COMMENT

We believe the authority for the Secretary to administer Part D benefits and to administer the State supplement is a basic feature of the Family Assistance Plan. The Part D payment is 100 percent Federal money and there is no question of the Secretary's authority to administer these payments. If the States administer the supplement under Part E separately there is a division of administrative responsibility and probably a duplication of effort on the part of the recipient. While we believe that this should be avoided, we do not believe that it is desirable to mandate Federal administration of State functions. Accordingly, we feel that States should have an option either to enter into an agreement with the Secretary for Federal administration or to administer the program themselves. In general, we believe that Federal expertise in the efficient payment of money indicates the desirability for Federal administration. This is in sharp contrast to the provision of social services which must be tailored to State and local needs and priorities and, in our judgment, should be left to administration at State and local levels. We would, accordingly, oppose the amendment.

4. Eliminate all the provisions of the bill relating to manpower services, training, employment and supportive services (all of the new Part C except the child care provisions). In place of these would be amendments to the existing work incentive program (Part C of the present law). This would be amended in the following respects: Such work projects would be redesignated as public service employment. Forty percent of the amounts appropriated for manpower training, etc. would have to be expended for on-the-job training and public service employment. Appropriations for Part C would be allocated to States according to an allotment formula which in the fiscal year 1972 would be related to the average number of recipients of Aid to Families with Dependent Children and in subsequent fiscal years to the average number of individuals registered for employment.

The Secretary of Labor would be prohibited from conducting institutional

training of the type not related to jobs which are likely to become available in the local area. Priority of employment and training would be in the following order: unemployed fathers; dependent children of relatives who have attained age 16 and are not in school and are not working; mothers who are not required to register who volunteer for training; individuals who are employed at least 40 hours per week or 35 hours with at least \$64 earnings per week who voluntarily register; and finally, all other individuals referred.

COMMENT

Whether the manpower, training, employment and supportive services provisions are handled by amendment to portions of existing law or by complete rewriting is a matter of preference. It does not in itself raise particular problems. One of the above objectives of the total revision was to assure the utilization of existing training programs rather than the establishment of separate programs and projects for welfare recipients. We defer to the Department of Labor as to the implications of the minimum of 40 percent for on-the-job training or public service employment projects and as to whether the allotment formula proposed would work equitably.

5. A joint administrative unit comprised of representatives of the agency responsible for referral and the manpower training, etc. functions would be required.

COMMENT

We certainly are in accord with the closest possible joint planning between agencies responsible for the administration of income maintenance and social services and those responsible for manpower training and employment. We do not favor attempting to achieve this result by rigidly mandating a separate administrative unit. One of the objectives of the manpower training and employment program is the utilization of all available training and employment programs. Moreover the referral process is so integral a part of the determination of eligibility for family assistance payments that its separation in the mainstream of the income maintenance program could well prove undesirable. We also would point out that the views of the Department of Labor are important on this point since the responsibility would be a shared one. As we have pointed out there is no discretionary referral involved and the responsibilities of both agencies are clear and statutory.

5. A State-wide operational plan for the joint operation prescribed under item 5 would be required. Local operational plans would have to be included for each area of the State.

COMMENT

We have no objection to the requirement for State and local operational plans. The Department of Labor has had more experience with this type of joint plan than we have and we would defer to their comments regarding its effectiveness.

7. Public service employment projects would be Federally funded at the rate of 100 percent for the first year and 90 percent thereafter.

COMMENT

The provision of 100 percent funding for the employer portion of the public service employment project carries out the same principle that was available for the first year under the 1967 Amendments to the Social Security Act. Under the provisions of these Amendments wages were provided from a pool made up of welfare payments and employer contributions. The employer contribution was authorized at 100 percent for the first year. Much of the funding of wage payments under these provisions came from welfare payments which included both Federal and State funds. In those States in which supplementary payments are required under Part E, consideration should be given as to whether there should not be a State contribution to the public service employment wages. The same reservations apply to 90 percent funding after the first year of a public service employment project.

8. In addition to the incentive payment to individuals in institutional training of not more than \$30 provided in existing law, the Secretary of Labor would be authorized to pay allowances for transportation and other necessary costs to individuals participating in such training.

COMMENT

The \$30 incentive payment is somewhat less liberal than H.R. 16311 which would permit the payment of MDTA training allowances in those instances where the individual is assigned to a MDTA project. We believe that discrimination between persons on the same project because they happen to be under two different programs is undesirable. The provision for allowances for transportation and other necessary costs is already included in H.R. 16311.

9. Federal participation in training costs would be permitted to rise to a maximum of 90 percent rather than the 80 percent in existing law.

COMMENT

We strongly favor the 90 percent rather than the 80 percent ceiling on Federal participation in training costs. The non-Federal share of 20 percent has been one of the handicaps to the more rapid development of the Work Incentive Program. This change is consistent with H.R. 16311.

10. Relocation assistance would be authorized. The Secretaries of Labor and Health, Education, and Welfare would be required to issue regulations in six months which would include a National Coordinating Committee and Regional Coordinating Committees.

COMMENT

We favor the provision of relocation assistance, which is consistent with H.R. 16311.

11. The Secretary of Labor would be directed to collect and publish monthly data with respect to the individuals registered in training, placed in jobs, refusing work, etc.

COMMENT

We defer to the Department of Labor as to the feasibility of collecting and publishing at monthly intervals the prescribed data.

12. Technical assistance to providers of employment or training is authorized.

COMMENT

We believe that this is a wholly desirable principle, consistent with H.R. 16311.

13. The Internal Revenue Code would be amended to provide credits to employers equal to 20 percent of work incentive program expenses. Such expenses are defined as wages and salaries of employees who are placed in employment under a work incentive program which are paid for services rendered by employees during the first 12 months of such employment. Various limitations are included. H.R. 16311 would authorize the transfer of funds saved because of participation in on-the-job training projects to the Secretary of Labor thereby increasing the amounts available for such projects and extending training of this type.

COMMENT

We defer to the Departments of Labor and Treasury as to whether the wage subsidy mechanism provided here is an effective means of stimulating increased employment without undue opportunities for exploitation by employers.

14. A new plan requirement under section 402 of the Act would require a special program administered by a separate administrative unit which will provide for individuals who have been registered pursuant to Part D such health, vocational rehabilitation, counseling, child care and other social and supportive services as are necessary to enable such individuals to accept employment or receive manpower training. Other duties are also specified.

COMMENT

We are wholly in accord with the provision of the services (designated as supportive services in H.R. 16311). We do not favor providing them through a separate administrative unit as we believe that a unified social services agency can best serve the needs of these persons as well as others.

15. Federal participation in any medical care provided in a manpower program would be limited to the rate payable under the Medicaid program.

COMMENT

While there is a great deal of merit to providing medical care at the same rate as under the Medicaid program, we are concerned that this rate, which is generally substantially lower than the 90 percent provided for other supportive services, might result in deterring the provision of medical care needed by people to enter training or employment programs.

EARNED INCOME DISREGARD PROVISION

Senator TALMADGE. When your predecessor appeared before the committee I asked him how many people receiving aid to families with dependent children have benefited from the earned income disregard provisions added by the Congress in 1967, and to what extent earnings have increased as a result of this provision, at page 230 of the hearings.

Now, almost 3 months after I asked this question I still have not received an answer. Why can't the Department answer a simple question like that?

Secretary RICHARDSON. I thought, Senator, that we had furnished it to the Committee.

Senator TALMADGE. Mr. Vail informed me that it arrived last night.

You do agree that information like that is vital in trying to evaluate a bill of this nature and in evaluating a proposed change in the earned income disregard, do you not?

Secretary RICHARDSON. I certainly do.

SECRETARIAL DISCRETION

Senator TALMADGE. One final question, Mr. Secretary. One of the striking features of this bill was the large number of places in the bill where the Secretary is given discretion to set policy. I believe there are about 30 areas in this regard. I asked Secretary Finch to provide for the record the statement of his policy intentions in each case. We have not yet received the information although material was submitted and printed on pages 59 through 74 of the committee print on the administration's provision which very inadequately discusses some of these areas.

I would like again to ask you to provide this material in a responsive way.

I note also that your revised bill would add some 20 new areas in administrative discretion in setting policy. Please provide at this point in the record a description in some detail of each of these areas and policies you intend to follow on this revised bill you have submitted. Let me emphasize that I would like this material to be responsive and not avoid the policy issue.

Secretary RICHARDSON. Senator on this score I wonder if I might ask you to modify the request somewhat. The question of whether the bill should be so drafted in each of these instances as to create discretion in the Secretary of HEW through the adoption of regulations or otherwise is, I think, a question that is subject to genuine give and take with members of the committee and committee staff. The question of how best to resolve problems which could, on the one side, involve very elaborate, complicated drafting, or on the other, might be the subject of committee report language, is I think something we would like to work out with the committee and depending on how they work

out would in turn influence the number of situations in which it would be necessary to give the kind of specific answer you have requested.

In other words, if we were to agree with you and other members of the committee and committee staff that the matter of discretion in a particular clause of the bill should be handled in a particular way, then that would then affect the answer we would give. If the discretion were restricted then——

Senator TALMADGE. Are you asking us to legislate on a specific bill? I am asking you to answer a specific question with reference to that specific bill and your discretionary authority. I believe the Department could give a specific answer to a specific question relating to a matter on a specific bill.

Secretary RICHARDSON. We could do it. I am simply pointing out that in many of these areas we would have to draft a regulation of the kind which the Department customarily does in implementing legislation when enacted. If the committee subsequently was to conclude that the Secretary shouldn't have the discretion contemplated, then we will in effect have done a lot of extra work. I am not declining to do it, I am simply suggesting that the purpose you have sought to meet can be met in this kind of way rather than by submitting an elaborate, very large document.

Senator TALMADGE. You are a reasonable man, Mr. Secretary. I was just handed one of the responses here that your Department submitted, and I quote, "Because of the shortness of time between July 1, 1969, and the present date, we have been unable to compile nationwide statistical data on the impact of the disregard provision."

I have found you to be a candid, reasonable man. All I want is a candid reasonable answer. I believe the Department can provide that.

Secretary RICHARDSON. We will be glad to give you all the data we have and to respond to the request you have just made in the manner you have made it.* I merely felt that what is involved here is the kind of process this committee has engaged in very often in the drafting of tax laws, for example. I was merely suggesting that we would be glad to work with the committee on this basis.

Senator TALMADGE. Thank you, Mr. Secretary. My time has expired. I have found the Treasury Department to be very forthright in responses to questions that members of this committee ask, but this is the most important bill that has come before the Congress since I have been here. It involves putting 14 million additional people on public welfare, ending up with one out of every eight individuals in the United States of America on public welfare. To my knowledge, no other nation on the face of the earth has ever made such a drastic implementation of a program untried on an experimental basis. An experiment was made in New Jersey by the Office of Economic Opportunity, and I have studied the report on the experiment and I found it to be a most unreliable report. I think we need adequate information to act on this momentous bill.

Secretary RICHARDSON. Senator, if you will permit me to make one brief comment. I think it is in some way misleading to refer to the program that is proposed here as a welfare program. It would add

*As of November 4, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

large numbers of people to the numbers of those who are now under welfare programs in the sense that it would add people who would be receiving income support. But we think that there is a significant difference between the family assistance plan proposed here and the welfare programs that exist now. We think the difference is great enough to justify the difference in name we apply. The term welfare has a lot of connotations that we think we would be escaping through this new program. In this connection we also, can make a comparison with other programs in other countries which do more nearly correspond to this program in that they involve one form or another of family assistance.

Senator TALMADGE. One brief observation, Mr. Chairman.

I regret I ran over my time. I think it is all a question of semantics, Mr. Secretary. It involves a gift of the taxpayers' money from the Government under whatever name you may call it.

Mr. VENEMAN. May I briefly respond by pointing out that in the committee print from pages 59 through 71 we have submitted proposed language in the areas of secretarial discretion, suggesting 21 major areas. We would eliminate discretion in seven areas, reduce it in four, retain it in 10. This may not be as complete as the committee desires. We will elaborate, if that is your desire. Subsequently we have added other areas of secretarial discretion outlined in the proposals which were submitted to the committee.

I just want to bring this out so that the impression is not left with the committee that we have not responded to the request. I will also concede there are additional areas of secretarial discretion as a result of some of the new proposals, primarily the social services amendments that went into the bill subsequent to the June 1 meeting.

The CHAIRMAN. Senator Curtis.

NUMBER AFFECTED BY FAP

Senator CURTIS. Mr. Secretary, how many individuals now receive some sort of cash payment generally described as a welfare program?

Secretary RICHARDSON. The 1971 figure is estimated to be 11.6 million persons.

Senator CURTIS. This family assistance program will not be effective until fiscal 1971?

Secretary RICHARDSON. No.

Senator CURTIS. In the first year it is effective how many people will then be receiving some sort of cash payment?

Secretary RICHARDSON. 24.4 million is the estimate for 1972.

Senator CURTIS. That will be an increase of a little less than 13 million.

Secretary RICHARDSON. Just about. Although the figure for the existing law for this year would have been, we estimate, 12.8 million. So you can see that not all of the gain is in new FAP recipients.

Senator CURTIS. New recipients. But they have been new under the old law?

Secretary RICHARDSON. Well, Senator, I am looking at page 24, table 4(B). The bottom line shows the estimated total number of recipients under current law and the total line above that shows the total numbers under the proposed plan.

Senator CURTIS. Yes.

Under the family assistance plan, how many people will receive training?

Secretary RICHARDSON. The number that will eventually receive it is, of course, dependent partly on appropriations for a training program. The number proposed for the first year is an additional 150,000 slots for training plus 75,000 for upgrading the skills of the working poor.

Senator CURTIS. Just 75,000 allocated to the so-called working poor?

Secretary RICHARDSON. Yes, sir. Let me point out that these are additional slots. Some of the working poor are benefiting from existing programs.

Senator CURTIS. But this proposal would provide training for 75,000 more people who are described as working poor?

Secretary RICHARDSON. Yes. And 150,000 who are now receiving welfare benefits for a total of 225,000.

Senator CURTIS. But I am directing my question at the moment to the working poor. How many of the working poor will be added to the rolls of receiving some cash benefit?

Secretary RICHARDSON. The total is 2.3 million.

Senator CURTIS. Is that individuals or heads of families?

Secretary RICHARDSON. That is number of families, and assuming a male-headed family in each case. That means 2.3 million individuals.

Senator CURTIS. That amounts to how many people? I am trying to relate it to the 24.4 million that will be receiving it. How many of those 24.4 that the table shows will be receiving a benefit in fiscal 1972, of the so-called working poor?

Mr. VENEMAN. Mr. Rosow, of the Department of Labor, indicated there would be about 1.2 million males working full time in the working poor category.

Senator CURTIS. Mr. Veneman, the table here shows the number of persons involved in the whole program is 24.4?

Mr. VENEMAN. That is correct.

Senator CURTIS. That is total people, including the whole family. How many of those are in the category of the so-called working poor?

Mr. VENEMAN. I think it is somewhere around 6 to 8 million. It is about 7.5 million. That would include the spouse and the family.

Senator CURTIS. That is what I am asking.

Mr. VENEMAN. That is correct.

Senator CURTIS. In other words, 1 percent will receive training?

Mr. VENEMAN. I don't think that is totally accurate because we do have existing training programs going on.

Senator CURTIS. I mean the program that this new legislation brings in.

Mr. VENEMAN. I don't think anybody has suggested that we try to train the disabled or the blind. There is some blind training.

Senator CURTIS. I understand.

Mr. VENEMAN. That is where the bulk of the caseload is. I don't think we should be deceptive about this, Senator Curtis.

Senator CURTIS. Well, I will put it this way: How many heads of families did you say a moment ago are included in the working poor?

Secretary RICHARDSON. Senator, may I ask you to look at the table on page 28 of the committee print which shows a summary of characteristics of families eligible for family assistance benefits in 1971?

If you assume there is one earner in the family, then the figure is 7,450,000; would be the number of potential wage earners covered under the program. And this does form the basis, then, of your estimate that only 1 percent of these would be covered in the first year under the work training program to upgrade their skills.

I think the problem, of course, is in the development of additional work training opportunities on the existing base for a large number of people.

Senator CURTIS. The 1 percent would be 1 percent of the total number of persons involved. But if there were families of five, it would move up to 5 percent?

Secretary RICHARDSON. I think we are talking about numbers of potential wage earners in the family. If you assume one earner per family, which was what I was assuming for the moment, then the number of potential earners covered is 7.45 million. If you assume larger numbers of earners, then there would be more people eligible for training slots if they existed.

Senator CURTIS. Coming back to Mr. Veneman's statement, that you wouldn't be expected to train the children or the disabled or the aged—by and large those categories would be included in the heads of families of the working poor, would they?

Secretary RICHARDSON. No.

Mr. VENEMAN. If you use the 24 million figure, they are, sir.

Senator CURTIS. That is correct. Isn't it true that most of the working poor, that means an individual whose income is low but they are working all the time, would you say that practically all of these people are able to receive additional training so far as their ability?

Secretary RICHARDSON. Yes.

Senator CURTIS. I would think so. Is it necessary to put them on the welfare rolls, whether you call it that or the family assistance rolls, in order to give poor people a chance to improve their earning capacity?

Secretary RICHARDSON. No.

Senator CURTIS. I don't think it is, either. I think that one of the things that bothers me here is the immediately putting on several million—regardless of how you assign them—people, and using our available resources for that, and then having less of our resources to give them a chance to help themselves.

I would like to pursue this, but my time is up.

Secretary RICHARDSON. May I comment briefly, Senator, that I don't think you can justify the extension of family assistance to the families of working poor solely on the basis of thereby providing opportunities for upgrading the skills of the family wage earner through job training.

I think we have to come at it the other way around, on the basis that it is inequitable not to provide income support to families headed by a male wage earner when we do provide it to families headed by a female wage earner. And this is exacerbated when we have the other existing inequalities between AFDC families and families of the male headed wage earner.

Also, Senator, I was looking at the wrong column on page 28 of the committee print. The applicable total of earners in the family is shown in the first column as 1,589,000, which produces a somewhat

better ratio of training slots to total earners, assuming one earner per family.

Mr. VENEMAN. Your question was directed to the full-time working poor. That would be the work experience of the family head in the column "Work full time all year" in this group is 1.167. That is where I used the 1.2 figure and rounded it off. If that is the number of males working full time all year in this category, then the 75,000 upgrading slots would be available to approximately a little over 6 percent, to answer your question more specifically.

Senator CURTIS. I have some further questions along this line but my time is up, Mr. Chairman.

The CHAIRMAN. Senator Miller.

MOVING PERSONS ACROSS THE POVERTY LINE

Senator MILLER. Thank you, Mr. Chairman.

Mr. Secretary, to save time, along the same lines as Senator Curtis was questioning you, I would appreciate it if you could furnish for the record a reconciliation between the estimated 24 million people who would be covered by the administration's bill and the statements before the committee on page 7 in which you state that there would be some 7.8 million persons who are still in poverty who would be moved out of poverty; and on page 20 where you refer to moving almost two million persons across the poverty line and an additional 500,000 across the low-income line.

Would you do that? I would like to know where the extra numbers come from. Could you furnish this for the record? I would appreciate it.

Secretary RICHARDSON. I would be glad to do that, Senator.
(The information follows:)

The numbers cited refer to entirely different groupings of families or persons; they have no direct relationship, one to another. For example, on page 7 of his prepared statement* Secretary Richardson mentioned 1.5 million families (containing 7.8 million persons) who in 1968 were headed by a full time worker but whose income was below poverty levels. Because of increasing wages, there would be fewer of these families in 1971. However, there would still be many and most would be eligible for Family Assistance benefits. They are included in the estimated 24 million persons eligible for benefits under the Family Assistance Act in 1971. However, also included in this latter figure are the aged, blind and disabled as well as members of families whose head is not employed full time. The 2.0 million persons in families whose Family Assistance benefits would be sufficient to move across the poverty threshold are included in the 24 million potentially eligible mentioned above.

QUESTION RAISED OF POSSIBLE DISINCENTIVES IN THE BILL

Senator MILLER. Now, one thing that troubles me is that while I do commend the Department for doing an excellent job of correlating the various programs and in effect doing away with the disincentives that were in the House-passed bill, nevertheless there is another ingredient that I think is equally important, and that is the ingredient of incentive. For example, I refer you to the tables dated June 10, from the Department, for example, table 5 covering Phoenix, Ariz.

If I understand the approach of the administration correctly, it is calculated to encourage by incentive, low-income people to increase

*Page 407 of this volume.

their income to break out of the poverty cycle, and yet I find that in the case of a poor, female-headed family in Phoenix who would be earning, let's say, \$1,000 for part-time employment, the total net money and in-kind benefits, counting food stamps and all of the other things, would come to \$4,741, and yet if we were going to encourage that person to improve her status by going out and working, let's say, twice as hard, twice as long, to make \$2,000 a year, the total net money and in-kind benefits would amount to \$4,816, a difference of only \$75. I must say to you that I find it very difficult to believe that the \$75 improvement would be sufficient incentive to cause that person, if not most people, to just work twice as hard.

Do you really believe that is a sufficient differential in the income bracket to warrant that extra effort?

I can take you down to the \$2,000 level. The difference between \$2,000 and \$3,000 is \$75. The difference between one who earns \$2,000 and \$4,000 is \$32.

I suggest to you that the incentive between these various income levels, and I think we will find a similar pattern in the other cities that are covered by this table, is not enough.

So while I commend the Department for knocking out the disincentives, which were certainly in the House-passed bill, I must tell you of my concern about the incentive that is provided under the administration's amendments.

I would appreciate your comment.

Secretary RICHARDSON. I am very glad to have the opportunity to comment on this, Senator Miller, because the question really addresses the most difficult problem that has to be resolved in developing some combination of minimum benefits and a work incentive.

What we did to eliminate the notches that were made clear by the spring hearings was to smooth out the retained earnings curve but in doing so, to reduce its pitch. In other words, we prevented any sharp drop in family income, consequently to the passing of a particular threshold of eligibility, whether for income maintenance, food stamps, medicare or public housing. But you simply can't have it both ways, except at very great increases in program cost.

The same limit applies in a different way with respect to the minimum benefit. We have made some estimates of what it would cost in order to provide a more sharply rising work incentive, or to put it another way, in order to enable the family to keep a larger share of cash income and lose less cash benefits in the light of these other declining benefits. It looks something like this:

If you were to reduce, let's say, the amount of income taken away from by the Federal family assistance tax rate, which is currently pegged at 50 percent, to 40 percent, the additional cost would be in the range of \$1.5 to \$1.8 billion.

If you were to reduce it to 35 percent, it would be in the range of \$3½ to \$4 billion, and to 30 percent in the range of \$6 to \$7 billion. And, of course, you would need to reduce it substantially, in order to affect the net income related benefits under the family assistance plan, medicaid and the whole range of programs.

In effect, what I am talking about is an aggregate tax rate. This really is why we could not both eliminate the notches and at the same time provide for a steeper measure of incentives.

I see no way of doing both things at once.

Senator MILLER. It seems to me that you could put your people to work similar to that done on table 5 and change some of the ingredients up or down, or both, and arrive at a much more substantial differential.

Secretary RICHARDSON. The problem, Senator, is that you increase the break-even point which exists under the current bill at 50 percent. As now provided for, the break-even point is \$3,920 in income for a family of four. Above that they cease to receive any Federal family assistance plan benefits.

If you change the tax rate to 40 percent, the break-even point becomes \$4,720 and you add automatically 1,110,000 families to the roles.

If you reduce it to 30 percent, you add 3,200,000 families and the break-even point goes to \$6,050.

In other words, the lower the tax rate the higher the break-even point automatically becomes. The higher the break-even point, the larger the number of eligible families becomes.

There simply is no way of breaking out of this trap. The question simply is: How many families we are prepared to cover and how much money you are prepared to spend? I might just point out that the table that you were referring to provides this weak incentive scale only for that 6 percent of FAP families, assuming nationwide application, who will benefit from a housing bonus as proposed under the 1970 act.

Senator MILLER. Do you have a similar table covering the 94 percent?

Mr. VENEMAN. Yes, table 1, on page 46, Senator.

Senator MILLER. My time is up and I don't want to belabor the point. I suggest to you it would be right that there are only 6 percent covered by that table, and that if there is such a small number covered by that table, perhaps you might vary some of the ground rules in it at the break-even point. It is not going to be affecting very many people anyhow, so you will have a more realistic incentive cranked into it.

Mr. VENEMAN. Table 1 applies to 94 percent of the people in Phoenix.

Secretary RICHARDSON. Senator, I am sorry, but you have identified a very critical and central problem. I don't think we should leave with the impression that we could eliminate the housing benefit factor and affect the overall work incentive picture. Unless you are prepared to spend increased sums for the other 94 percent of eligible families in the country, the problem would be inherent.

As I said, there is an interlocking relationship between the tax rate and the break-even point, and there is just no way out of the problem.

Senator MILLER. I can understand that, but I am referring to the composite here, and certainly there ought to be some way of varying some of these ingredients so we come out with a better differential on these incentives.

If you could offer us two or three alternatives and then let us decide whether we want to abide by the ground rules that went into the alternatives, I think it might help us make a decision.

But I suggest to you the incentive differential is not adequate.

Secretary RICHARDSON. Certainly we would like to make it more adequate, Senator, and we would be very glad to work with you on

this. We can develop, I think, a graph which shows what happens when you move the various components of the equation around so you can see its effects.

The CHAIRMAN. I would like to announce our procedure for today and tomorrow. Our Republican colleagues are scheduled to attend a Republican policy conference at 12:30 and when we come back tomorrow we will start with Senator Jordan. I am going to ask one of our Republican members to stay here with us long enough for Senator Harris to have his turn.

I want to apologize to Senator Jordan and to Senator Hansen. You will have to come back and take your turn tomorrow.

Senator HARRIS. May I say, first, I am impressed by your presentation here this morning. As you know, I agree what in effect you say, that poverty by definition is lack of income, and that what poor people primarily need is money, when we are prone, instead, often, to give them advice; and that has proved to be second best to money. I, therefore, agree with the basic philosophy of the family assistance program. I hope it can be improved, as I indicated earlier. Let me ask you first this:

Outside of the 10 percent of the families who are receiving assistance that live in the seven lowest AFDC benefit States—I think primarily if not totally the Southern States—and persons with other sources of income, will any family with children and now receiving assistance be financially better off under this bill than is true at the present time?

Secretary RICHARDSON. No family now receiving assistance.

Senator HARRIS. Let me ask you—

Secretary RICHARDSON. Outside of the States that you identified.

Senator HARRIS. Now, let me ask you the converse of that. Will any such family be worse off under the family assistance program than is presently true?

Secretary RICHARDSON. With the corrective measure that I proposed earlier in the hearing for the problem of States where there is a difference between the family income standard and the actual assistance payment, the only remaining group who would be adversely affected are the families of the unemployed father category in the 23 States and one territory that have those programs.

There are about 90,000 families in this category.

I also touched on the possibility that we will decide that in order to avoid hardship to them we could develop an approach similar to the one we have suggested for the so-called galloping supplemental situation.

Senator HARRIS. I understand that two types of families would be worse off or could be worse off under the family assistance plan than they are now. One is the family in those 23 States which now have unemployed father programs, and under the revised family assistance plan now will be ineligible for Federal cooperation in funding of that program.

How does this fit in with what Secretary Finch previously said, “. . . a system which provides a clear financial reward for a family breakup seems vicious and irrational . . .” and I believe those were very nearly the same as your words this morning. How can we justify doing that?

Secretary RICHARDSON. This is one of the problems we keep confronting in the attempt to develop a system which is equitable overall. The problem is that if you continue to cover the families with an unemployed father and also provide benefits for the first time to families of the working poor, you would create a new inequity which in effect could mean that the families of an unemployed father with children are better off than the families of an employed father—

Senator HARRIS. First—

Secretary RICHARDSON. There is also the problem that applies to the unemployed father, who under the law of the States in question, can work up to 30 hours a week without any loss of benefits and thus has a disincentive to engage in full-time work. It was these considerations which led to the conclusion that the families of unemployed fathers should be treated in the same way in the family assistance plan as families of employed fathers. This would mean in substance they would get if the father were not working at all, a combination of benefits consisting of \$1,600 in cash, in the case of families of four, \$860 in food stamps, and the equivalent of health insurance coverage worth \$500, for a total of \$2,960. They would in effect be not too much worse off than the families headed by female workers who would also be benefited by the State's supplement.

Senator HARRIS. Let me be sure, first, that we understand the effect of what you are now proposing. While we would cut out the Federal participation now available to 23 States that provide the unemployed father program, at the same time under your recommendation we would continue to provide a Federal supplement for those States that pay more than \$1,600 for families headed by a mother.

So, then, wouldn't we continue or make worse what you have criticized, and I have criticized and others have criticized in the present system?

For example, President Nixon said in St. Louis on June 25:

When any system has the effect of encouraging a man to desert a family rather than stay with it, it is time to abolish that system and get a better one.

How are we doing in regard to carrying out those good words?

Secretary RICHARDSON. The main thing we are doing is to cover the working poor, which is a major step. It is true that by eliminating the Federal supplementation of benefits to the families of unemployed fathers we would be taking a step away from this objective. On balance, however, we think that the aggregate effect of the total program we propose is very much in the direction of the statement you have just quoted.

Senator HARRIS. One way would be to raise the basic payment so that the unemployed father program is subsumed, and that is, of course, what I recommended and still recommend. I asked about this difference back when we had the earlier hearings, about discriminating between the employed and unemployed fathers, since what we wanted to do anyway was to cover the working poor.

Mr. Veneman, at that time, as shown on page 346 of our previous hearings, you said:

If we were to treat the unemployed family the same as we are proposing to treat the working poor category, they would be subjected in many cases to quite a reduction of the aid that they are entitled to under the existing law.

After having so assured me then, have you now come in and recommended exactly what Secretary Veneman said we shouldn't do.

Mr. VENEMAN. Secretary Richardson mentioned this morning that we should "grandfather in" these people who are presently on the roll. I cannot help but agree with him that the benefits to the working poor, now that we are moving in that direction, will far offset the disadvantages that the potential unemployed father families would have. There are only 90,100 in the Nation right now.

Senator HARRIS. For those 90,000, this is a rather important matter; wouldn't you think?

Mr. VENEMAN. To put it in the perspective, there are 260 families in Oklahoma and about 37,000 in California.

Senator HARRIS. If we start out with pious statements about how we want to hold families together, then we ought not to try to mislead people into thinking that we are doing that, when in some ways, here, we would be going backward, even from where we were in the original bill.

Mr. VENEMAN. I don't think we are, with the grandfather clause. We are not stepping back if we "grandfather" the present caseload in.

Senator HARRIS. The present caseload was insufficient to start with. The Senate of the United States, acting on an amendment which I and the late Senator Robert Kennedy offered, decided in the past that it wanted to make the unemployed father program mandatory in all of the States. We voted to require the States to allow eligibility for a family headed by an unemployed father, requiring him thereafter within 30 days to go into work or training. Instead, the conference, later decided not to approve that and decided to require mothers to go to work.

I always thought that was a rather poor way to go about it. I certainly wouldn't want to see us continue in that same direction under your revised plan.

Mr. VENEMAN. I don't suggest that we are going in that direction, Senator.

Senator HARRIS. Just one other thing about good statements concerning putting people to work. Where would you think we would find jobs for these people that would be required to work? Shouldn't we spend some money in helping create additional jobs, Mr. Secretary, public and private? I see a prediction in the morning papers that the unemployment figures are going to go higher. As we all know, those average unemployment figures are already much lower than for those who have less skills, those who are black, and other minorities. Where would we find the jobs for these people that we are requiring to go to work?

Secretary RICHARDSON. Senator, as you know, of course, the current duration of unemployment for those on the rolls is comparatively short. And in many places there are available jobs for people if they have the requisite skills. The problem is in most instances one of matching the individual and the job. I am sure you will be hearing next week from the Department of Labor on the progress they have made in developing computerized job banks that appear to be working very effectively to this end. Our feeling is that while we should utilize the special project provisions of the law that were first enacted in 1967 to make this an effective supplement to the free market provision of

jobs, we would still like to see what can be accomplished through the more adequate provision of job training opportunities and the more effective capabilities of our Employment Service in making the existence of currently available jobs known to those who are asked to register for jobs under this program.

May I go back for a moment to one point? I think your questioning about the unemployed fathers helps to point out the kind of problem one runs into in seeking to reform an existing system and to do so within practicable limitations of cost.

Some members of the committee, and certainly this administration, feel very concerned about adding costs where this would be the by product of an otherwise desirable reform intended to make the application of the system more uniform.

In the case of the unemployed fathers and the employed fathers of the working poor, for example, the most simple way to achieve equity would be to mandate State supplementation for both groups nationwide so they would all be treated the way the unemployed father families are now treated in 23 States. The short answer to this is that it would cost another \$1 billion on the program the first year.

So the question then is given this additional requirement, is it better to do it through the grandfathering route that Secretary Veneman referred to?

Senator HARRIS. We ought to be candid enough to admit these deteriorating effects that will continue in the program which you recommend, which in my judgment are not necessary.

Second, we ought not to say that we are going to have uniformity under your plan, when, as a matter of fact, there will be wide disparity between what a child is worth in the way of welfare assistance from one State to another under the plan which you propose, though there will be a minimum floor, a floor which is less than that now paid 85 percent of the recipients. We ought not to say that we are going to simplify the administration, as much as I think we can, because FAP will continue the division between the various levels of Government involved. So, the people ought to know exactly what we are doing here, and I think we can do far better than what you recommend.

But, I, again, say that I think that the full Senate ought to have a chance to consider this matter, and I would be willing to trust to them some of the judgments I think ought to be made. I think the present system is a bad system, as this administration and others have said, and I don't think we ought to patch around on it. We ought to replace it with a better system.

INCLUSION OF STAFF PAMPHLET IN THE RECORD

The CHAIRMAN. Thank you very much, Mr. Secretary, and I again want to apologize to Senator Byrd. He will have to wait until tomorrow to take his turn.

I think it might be helpful to all concerned if we put in the record and make available to the public generally the briefing material that was prepared by the staff of our committee, and which was a matter of a briefing on yesterday, showing an analysis of various provisions under this bill of raising some of the problems in connection with it. It will require the one correction that Secretary Veneman made reference to.

The State of Indiana would not have 8.9 times as many people on welfare. That would make the highest South Carolina, which would have about 5.9 times, roughly six times as many people on welfare as under existing law. These charts will be made available.*

Mr. VENEMAN. I might suggest there may be another error in appendix A, of the same booklet. You suggest that you received responses from 28 Governors. I counted responses from 30 States, when you combine the medicare and the AFDC rolls.

The CHAIRMAN. Right. Insofar as we may be in error, and insofar as we have been provided with that erroneous information, that all should be checked out, and I think it might be well at this time to make it available so anyone could make any comment they want.

I appreciate your information, Mr Secretary, and I am speaking now to Under Secretary Veneman. You have a much larger staff than we do and we would like to have the best information that can be made available to help us in our deliberations.

Senator Byrd, if you want to interrogate the Secretary at this time—otherwise we will stand in recess and call on you with the remaining Senators tomorrow.

Mr. Secretary, I want to compliment you for the fine presentation you have made here today and for your complete and forthright responses to the questions directed toward you by the committee.

We look forward to seeing you tomorrow at 10 o'clock.

(Thereupon, at 12:45 p.m. the hearing recessed, to reconvene tomorrow, Wednesday, July 22, 1970, at 10 a.m.)

*The booklet referred to appears as appendix B of this hearing, p. 1071.

THE FAMILY ASSISTANCE ACT OF 1970

WEDNESDAY, JULY 22, 1970

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10:10 a.m., in room 2221, New Senate Office Building, Hon. Clinton P. Anderson, presiding.

Present: Senators Long (Chairman), Anderson, Talmadge, Harris, Byrd, Jr., of Virginia, Williams of Delaware, Bennett, Curtis, Miller, Jordan of Idaho, Fannin, and Hansen.

Mr. ANDERSON. Senator Jordan, will you start off with questions?

PLACING WELFARE RECIPIENTS IN THE JOB MARKET

Senator JORDAN. Thank you, Mr. Chairman.

Mr. Secretary, we come to the second round of these sessions. I think I am in full agreement with the objectives of the administration bill, but I, like some others who expressed themselves before, have considerable doubt as to whether or not the proposed legislation will meet the requirements that you have set out for yourself.

I noticed in this morning's paper the monthly welfare bill in the District of Columbia has increased 71 percent in the past year. Now, the number of welfare recipients has gone up 36 percent. By reason of the fact that they are getting more money, either by relaxed standards or for some other reason, the dollar cost has gone up 71 percent. I can appreciate that if this kind of escalation continued throughout the decade of the 1970's we would truly be faced with a problem. So I am eager for some kind of constructive method to reduce the general burden and translate it into more effective use of our resources by getting these people, those who are able, into production.

(The article previously referred to follows:)

[From the Washington Post, July 22, 1970]

MONTHLY WELFARE BILL IN DISTRICT INCREASES 71 PERCENT IN 1 YEAR

(By Carol Honsa)

Washington's monthly welfare bill has increased by 71 per cent in one year, rising from \$2.1 million in payments to welfare recipients in May, 1969, to \$3.6 million in May, 1970.

The number of welfare recipients also increased by 36 per cent in the one-year span, from 41,572 in May, 1969, to 56,575 this May, according to the latest D.C. welfare department statistics.

The biggest increases were in the city's largest and costliest relief program, Aid to Families with Dependent Children, which added 63 per cent more families and paid out 81 per cent more in monthly benefits.

City welfare officials say the increases are mainly due to liberalized policies that make it easier to qualify for and get relief, as well as new programs to locate the needy and steer them to the welfare office.

Nearly one out of every nine Washington children is living on relief, according to a recent federal report. The new welfare figures underscore a growing rate of relief dependency here and a resultant squeeze on the city's budget.

The city expects to pay out more than \$45 million to welfare recipients in the current fiscal year, more than triple the amount of aid payments in 1960.

Deputy Mayor Graham W. Watt cited "drastically" growing relief rolls Monday in a memorandum asking city department heads to hold down their fiscal 1972 budget requests.

Watt said the relief caseload here is expected to grow 87 per cent from 1970 to 1972—faster in two years than in the entire preceding decade. The caseload grew 68 per cent between 1960 and 1970, he said.

Winifred G. Thompson, city welfare director, said it may take two to three years for the rising caseload to level off. Much of the increase, she said, represents the "backlog" of needy persons who were eligible for aid but had not sought it earlier.

"More and more the poor in the nation's capital are no longer invisible," deputy welfare director Albert P. Russo explained recently. "They are being sought out, they are being found, and they are being referred for services they are entitled to under the law if they meet the eligibility requirements."

According to Watt's estimate, the city will have 35,000 families on relief in 1972. Welfare officials say they cannot yet estimate the cost of that caseload because Congress has yet to act on proposed payment increases for welfare families.

Changes in the city welfare system that have made it easier to get relief include:

The elimination—by judicial ruling—of the previous one-year residence requirement and the "man in the house" rule that denied aid to a mother and children if a man lived with them.

An end to wholesale investigations of the eligibility of welfare families. A court decision enabled relief clients to keep investigators out of their homes without losing their welfare checks, and a year-old "declaration" system of taking applicants at their word permits only random sample investigations.

Decentralization of welfare services. Three welfare branch offices in outlying neighborhoods make it more convenient to seek relief.

A proliferation of public and private programs that send workers out into poor neighborhoods to locate the needy and inform them of welfare benefits.

Other factors in the growing welfare caseload include higher living costs, which force persons—particularly the elderly—to seek welfare when inflation catches up with their fixed incomes.

The city's welfare increases parallel national growth in relief case loads and costs. The local, state and federal governments spent \$6.3 billion to aid 11.1 million welfare clients in fiscal 1969, compared to the \$3.7 billion they spent to aid 6.87 million recipients 10 years earlier.

Senator JORDAN. This bill, Mr. Secretary, has been hailed as a welfare to workfare bill. As I read the bill the only requirement for eligibility is registration, not work. Is this correct?

STATEMENT OF HON. ELLIOT L. RICHARDSON, SECRETARY OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY ROBERT PATRICELLI, DEPUTY UNDER SECRETARY, AND HOWARD A. COHEN, DEPUTY ASSISTANT SECRETARY

Secretary RICHARDSON. No, Senator. There is a requirement for registration and in addition there is a requirement that the registered individual accept appropriate job training, if this is indicated. And in addition, if there are jobs available at prevailing wages or at the minimum wage, the individual who is capable of working would be required to work.

In this connection, Senator, I do think it is important to emphasize that the approach reflected in this legislation embodies a number of

interlocking strategies to the encouragement of work by those who would be eligible for assistance. I think it is important to keep these in perspective. We start out with the requirement of registration which you pointed out. Added to this is the requirement of accepting training, where this is indicated, the requirement of accepting a job subject to penalty of loss of \$500 in benefits, and the exclusion of the individual worker from the rolls, if he doesn't work. When you couple these with the incentives that are incorporated in the legislation which permits a retention of earnings, and which eliminate the disincentives to work that exist under the present system. I think you can see that what in effect we have is a series of interrelated measures all aiming in the general direction of encouraging work.

Senator JORDAN. How do these new, that is the proposed regulations differ from those that are presently in existence under statutes now on the books?

Secretary RICHARDSON. There is no similar work requirement under any statute now on the books. The provision under the work incentive program adopted in 1967, for example, which first went into effect only about a year ago, provides for the referral of an appropriate AFDC mother capable of working. As you know, many States do not deem any mother appropriate. We think that the effect of the family assistance program is quite different.

There has been, as you know, a wide range of experience and effectiveness under the work incentive program, largely (1) because there is no registration requirement, and, (2) because there is no work requirement.

Senator JORDAN. The last report I saw from the Department of Labor indicates that there are presently about 82 million people in the civilian and work force of whom nearly 4 million are presently unemployed. What you propose in this bill is a work-fare bill to make more people compete in the job markets with those 4 million who are presently employed. The two employers generally can be categorized as being in the private sector and in the public sector. Mostly it is the private sector that is going to have to supply these jobs, and since the private sector has to answer to a board of directors and also their stockholders, they are going to hire the most productive people first, and they are going to let go the least productive people when a decline in earnings or decline in activity is indicated for that particular industry.

How do you propose to place more people in this highly competitive job market with qualifications to compete without offering some kind of incentive to people who hire in the private sector to take on these of less than the first order of desirability off of the unemployment rolls.

Secretary RICHARDSON. This is a very real problem, Senator, but I do think that the approach that we are taking here, if you combine the incentives that I have just mentioned with the benefits of the job training program, and add to this the operation of the job banks you have a combination that will enable a lot of people to get jobs that are going begging now even in the face of rising unemployment. Job banks are now operating in 42 cities and this number will be increased progressively by the Department of Labor. The early operation of the job banks show they have already increased the percentage

of job placements going to the disadvantaged. This is a result of their providing daily printouts, as they call them, of available jobs. Surveys have been made in some cities showing that there were a large number of vacancies even in the midst of unemployment.

There is the further consideration which is developed on pages 21 and 22 of the committee print which points out that the kinds of workers who would be covered under this program are in many instances people in cities that are not necessarily affected by fluctuations in the job market overall. Such fluctuations are more apt to affect employees in manufacturing industries, for example, who would be at wage levels beyond the range of assistance under this program anyway. And, of course, you know from the tables, a very considerable number of them are rural poor people with very low cash incomes.

Senator JORDAN. It is my understanding about 2 million new workers entered the work force in 1969. This was higher than the average. But this is a substantial number to absorb and probably accounts somewhat for the higher than usual unemployment percentage rate that prevails at the present time.

Do I understand you are going to conduct manpower training programs to better qualify these people and update their skills so they can compete in this labor market?

Can you tell me, Mr. Secretary, how many manpower training programs are presently in operation in Health, Education, and Welfare and in the Labor Department and in the other departments of Government? If you can't answer it directly, would you please supply it for the record?

Secretary RICHARDSON. I can't answer exactly. I know there are several. Of course, it is the objective of the Manpower Training Act of 1970 which the President proposed to fit these together into more coherent administration*

This bill, as you know, has been the subject of hearings in the Senate Committee on Labor and Public Welfare and is being marked up there. The total number of job training opportunities provided for under all these pieces of existing legislation is roughly about 1 million, I think.

Senator JORDAN. About a million. And what do you calculate the need to be?

Secretary RICHARDSON. I would like to defer an answer to that. We can supply, as you requested, some data in the record at this point, but you will be hearing from witnesses much more expert than I am on this subject when Secretary Hodgson and Assistant Secretary Rosow appear next week.**

I would like to add, however, with reference to the subject of additional numbers of workers coming into the job market each year, that the Bureau of Labor Statistics also estimates that there will be an average of 2 million new job openings a year developing between now and 1975 in clerical, sales, service and operative occupations. Part of the problem is to match the available new people coming into the market with the new jobs.

I think we feel that the current rise in unemployment is attributable in considerable measure to the impact on the munitions, defense, aero-

*The Department's response appears in appendix C, p. 1135.

**The Department's response appears in appendix C, p. 1136.

space industries of a reduction in overall defense production and procurement. The current duration of unemployment for these people is an average of about 9 weeks. Such a situation would not be likely to significantly affect the families who are the particular concern of the legislation we are talking about now.

Senator JORDAN. As I understand it, you would not favor offering tax inducements to the private sector to take on people who are less than productive in order to upgrade their skills to productivity?

Secretary RICHARDSON. No, I wouldn't say I would not favor it, Senator. Of course the administration heartily supports the job training efforts of industry, and I am sure that this is a significant contribution to upgrading the skills of people entering the labor market.

So far as the disadvantaged are concerned, I think it becomes a question of relative costs and efficiency of the job training program to be paid for directly out of Federal funds and of a program doing the same through a tax incentive. I certainly do not oppose it.

Senator JORDAN. In case the private sector is unable to absorb the traditional load of applicants for jobs, would you under any circumstance favor the Government as an employer of last resort?

Secretary RICHARDSON. I would be very hesitant to enact legislation making provision for this. While we could recognize the possible desirability of doing this, I think we ought to move along lines that are designed to give the free job market maximum opportunity to see what it can do with the assistance that would be provided through job training, improved referral services, and so on. And, of course, we do have the existing provision for the special projects that was enacted in 1967 and which would be simplified and strengthened under this legislation.

FAMILY PLANNING

Senator JORDAN. One more question on another matter, Mr. Secretary.

I am curious to know why you changed your plans in this revised legislation with respect to family planning. Under the present law, this must be offered to all appropriate AFDC recipients; 479,300 persons were offered family planning services in 1969. It may be offered to persons who were once on welfare or who might become dependent and it is an open-ended Federal matching program under present statutes. Although there was not any discussion in our April hearings, you have deleted some of these provisions and now under the revised bill there is no requirement that family planning be offered or made available to welfare recipients. Persons above the poverty line, including many welfare recipients must pay for family planning under the proposed closed-end Federal grant program.

Why did you change and what justification is there for it?

Secretary RICHARDSON. I don't think it reflects any reduced emphasis on the part of the administration on the importance or desirability of family planning services. On the contrary, President Nixon is the first President who has submitted a special message to the Congress on this subject and we have strongly supported legislation passed by the Senate on the general subject of family planning.

The reason the change was made was simply that in submitting the services amendments, there was a separation made throughout be-

tween the provision of services on the one side and eligibility for income support on the other, and so no service, therefore, under this approach is a condition of eligibility for money.

But we do want to emphasize the importance of these services and if the committee felt that it was desirable in some way to again tie in the connection between payment of money and receipt of services, we certainly wouldn't object.

Senator JORDAN. I can't understand.

A billion-dollar piece of legislation to implement some change in this area and now comes the new administration revision with these certain features deleted.

I yield the floor.

The CHAIRMAN. Senator Fannin.

FOOD STAMP PROGRAM

Senator FANNIN. Thank you, Mr. Chairman.

Mr. Secretary, I, too, commend you for the goals that you have in this legislation, but I also wonder about the implementation.

Mr. Secretary, on page 15 you talk about minimum support levels. Page 15 of your testimony. And you speak of the food stamps. There are some States that do not have food stamps and I notice that as far as the stipulations for commodities that you do not have any credit.

What will you do in cases where the States do not have food stamps?

Secretary RICHARDSON. The short answer, Senator, is that we are providing a basic Federal \$1,600 minimum. That minimum itself would be higher than the existing public assistance benefits provided in eight States as of 1969. Above that minimum there is a range within which a State can opt to supplement, including supplementation through taking advantage of the food stamp plan. We hope and believe that States will do this and we are prepared to assume the Federal share of the cost which is reflected in our cost estimates as involving an aggregate increase over present expenditures for food stamps of about \$400,000. It is also basic to the plan that we would add the families of the working poor who would likewise be eligible for food stamps.

Incidentally, Senator, and Mr. Chairman, I would like to mention that if the committee would care to go into this subject or the relationship of housing to this program, the administration would be glad to provide witnesses for this purpose. Assistant Secretary Lyng of the Department of Agriculture and Under Secretary Van Dusen of the Department of Housing and Urban Development would be available if the committee so desires.

Senator FANNIN. Why I asked the question, because, in so many of your statements you take it for granted that all States have the medicaid program and there are two States that do not have the medicaid program. Of course, I understand your program that you are advocating for February of 1971 may relieve this situation. I hope it does. But I know this is a concern and I was wondering about when you say the States are protected and we go forward with it. Of course, the \$1,600, I understand, is all Federal funds and no matching is provided for above the poverty level in supplemental payments and that the States would have a hold harmless provision that no more expendi-

tures in fiscal 1971 are adjusted for cost-of-living increases. But it seems to me it is going to be difficult for you to accomplish the objectives that you have because of the variance in the different States in this regard, no medicaid, no medicare, no food stamp program.

Secretary RICHARDSON. I think, Senator, that the only States that don't have medicaid programs are—

Senator FANNIN. Alaska.

Secretary RICHARDSON. And Arizona. And our Federal health insurance plan would simply extend the counterpart of medicaid to cover families under this program in those States. In the other States, it would be a substitute for their existing programs.

COVERAGE OF INDIANS UNDER FAP

Senator FANNIN. I am very much in favor of that and I have introduced legislation that would provide that benefit to those two States. But we have other problems in some of our States. As you realize, our Indians are the most deprived of all our citizens in the United States. In my particular State we have more Indians than any other State. We do have a large number of Indians and of course they are under the BIA, they are under public health service, their hospitals are under public health service. They own 27.7 percent of the State of Arizona. They have some very different circumstances to contend with. They have private income as compared to the per capita individual income.

I am just wondering if you are going to provide any basis so these people will be protected and that they, of course, will have the services that will be needed.

Secretary RICHARDSON. Senator, I think it should be pointed out, first of all that many intact Indian families will receive benefits under this program because they will become eligible for the basic family assistance plan benefit where they are not now eligible for any form of public assistance.

But we are very concerned and conscious of the problem of improving health services for Indians, and as you probably noted in the President's message on programs for Indians the other day, there is provision for an additional \$10 million, I think, in public health service expenditures for this purpose.

The result, taking these things together, can be substantial improvements in health levels for Indians.

Senator FANNIN. What I am wondering about, Mr. Secretary, what will be the effect on the States as far as supplemental costs when you get into Indian programs? That is one of the problems that the States have in regard to medicaid. The cost has been so burdensome. For instance, in New Mexico they had to revise their program because of the exorbitant costs, and I was just wondering what effect this will have as far as the assistance plan on the cost to the States that are involved, such as the State of Arizona and/or New Mexico or others that have large reservations and large Indian populations.

Secretary RICHARDSON. I think the Family Assistance Plan will help a great deal because all of the Indian families who will be covered under the plan would also become eligible under the proposal for family health insurance which we will be submitting in February.

Senator FANNIN. My question, though, is: What about the cost to the States that are involved. The Indians are on reservations in my State, a large number of them, and how will the State be involved?

Secretary RICHARDSON. The family health insurance plan conceived of is wholly federally funded with an option for the States to provide such additional and supplementary health services not covered under the health insurance plan itself.

In the case of Arizona, which does not have now a medicaid program covering Indians, there would be net gain for the Indians through the family health insurance plan coverage and no cost to the State except if the State chose to build on the basic protection provided under the family health insurance program.

Senator FANNIN. On the family assistance plan, in other words, you say there would be no additional cost on the State?

Secretary RICHARDSON. Under the family assistance plan there would be no additional cost to the State. Most States receive some savings under the family assistance plan. The aggregate is \$662 million. And in the case of those States which would not receive savings but rather have to spend more, there is a hold harmless clause which in effect saves them from any additional burden.

Senator FANNIN. I realize that and I referred to it.

Secretary RICHARDSON. Arizona would save 8.9 million.

Senator FANNIN. That is a little bit strange the way that is calculated because it deducts instead of adds on in the formula that you have. I think it is a clerical error in your figures there that you have. When you say if you add the two together I think it comes up to more than that. Isn't that a clerical error?

Secretary RICHARDSON. Point four shows as a minus under adult programs. It should be a plus.

Senator FANNIN. It should be a plus?

Secretary RICHARDSON. Yes. So the savings of 8.9 is correct. The minus before .4 is incorrect.

Senator FANNIN. I knew there was a variance there.

Secretary RICHARDSON. There is a clerical error.

Senator FANNIN. That wasn't important but I just wondered about it.

EFFECTS OF FAP IN PHOENIX, ARIZ.

Changing the subject. When we get into the incentive program, when we talk about the benefits that are going to come about and the incentive for people to take work and to strive to get a position or job, in Phoenix, Ariz. For instance, under present law, a family of four headed by a woman, the net value of each dollar if she moves from unemployment with no income to full-time work at the minimum wage, the present law is 62 cents; under H.R. 16311 it is 60 cents, and under the administration revision it is 28 cents. On page 19 of the committee print.*

Secretary RICHARDSON. Yes, sir.

Senator FANNIN. Would you desire to restructure this provision?

Secretary RICHARDSON. What is illustrated in this chart in the committee print distributed yesterday is the result of eliminating the disincentive that exists under present law, or that would have existed under H.R. 16311. When a family moves up to the top level of income

*P. 1091 of this volume.

that they can receive through a combination of earnings and family assistance and then crosses that threshold becoming ineligible for income supplementation we have what we call a notch. The family who crosses that threshold and then is dependent wholly on earnings receives less money than the same family received just before crossing the threshold. So there is a disincentive to increase earnings at that point. What we did under the June amendments was to eliminate the notch and that has the result of the income being retained at each stage as a smaller proportion of the income earned at that stage. In graphic terms, we have developed a fairly straight line as income rises with no notches but the line doesn't rise as steeply.

As the text opposite the chart points out, the proposed changes are designed to eliminate strong work disincentives at higher earnings level but they do so at the expense of reducing work incentives sharply at lower earnings levels. That is what this chart reflects.

The committee in effect is therefore faced with a question of judgment, whether it is more important to encourage work by eliminating the sharp disincentive at the higher level, or to retain a greater incentive at the lower levels. We thought that on balance it was better to remove the notch. So that is what was done.

As I said earlier, the effect of this change needs to be considered in the context of the other incentives that are also provided, for example, job training, the registration requirement and the penalty for not working. I think we also need to keep in view the fact that a given family will not necessarily receive the whole combination of benefits that are reflected in the chart. One further comment also needs to be made. I am not sure that people really think of the benefits or the earnings they receive in cash in the same way as they look at benefits in kind. So we feel that the overall incentive to the family to improve its position and status through work is greater than this chart indicates.

Senator FANNIN. Well, I realize it is a question of judgment as to which level you might have the greatest benefit, but I think that can be worked out perhaps and changed to some extent.

IMPORTS SEEN AFFECTING PROJECTED JOB OPENINGS

Mr. Secretary, one matter that was brought up but you answered the question, do you feel there would be 2 million job openings available each year. Certainly if we project what has been happening with our industries going abroad, a tremendous number of jobs that are being exported, I don't think we can justify that conclusion.

Secretary Stans received a letter from the chairman of one of our large corporations wherein he stated that they were forced to go into Taiwan, for instance, in order to be competitive, and that they will reduce their employment in the United States by about 30 percent when their plant goes on stream. Of that 30 percent, he stated 38 percent of those people who have been under governmental training programs and that millions of dollars have been spent preparing for this work and they will lose their jobs.

I am just wondering if we can carry through a program such as this unless we couple it with some other moves in the direction to try to correct this situation. We certainly know that is the President's concern. At the same time he stated that he would not be willing to

go along with the quota programs and I don't know whether he will go along with some of the other programs that would be somewhat restrictive but they would certainly encourage plants to remain here in this country and employ our people rather than to go abroad.

Do you think we should couple what you are talking about with the work that is being done by the Department of Commerce?

Secretary RICHARDSON. Of course these are all questions which this committee will be concerned with at such time as it considers the trade bill now in the Committee on Ways and Means.

I am not a particularly competent witness on the question of how best to create job opportunities, but I am aware that there is involved here an overall issue of policy on whether we are more likely over time to create more jobs through encouragement of exports, which is possible only if we import, than if we follow a more restrictive policy.

In any event, the 2 million job opening figure I used is a Department of Labor Statistics estimate and the basis for it is a subject on which I think the Labor witness can better testify.

Senator FANNIN. I don't want to prolong that particular subject but I am vitally concerned because we are working in the opposite direction. It is a very serious problem when the Japanese can import a car in the United States with the four and a half percent tariff going down to 3 percent. And if we are going to get a car in Japan it starts out at 17½ percent tariff. So I think we must go into this program very thoroughly and we must work together or we are going to face a very serious situation as far as jobs are concerned. But I won't belabor that particular point.

STRIKERS AND WELFARE BENEFITS

Mr. Secretary, when your predecessor appeared here a couple of months ago, it developed during my questioning under H.R. 16311 welfare benefits would be paid to strikers. That was on page 323 of the hearings.

Have you made any change in this respect in your revised bill?

Secretary RICHARDSON. No, we haven't made any change in the bill now before the committee. However, we have submitted to Senator Miller language that would provide for barring strikers from benefits.

Senator FANNIN. You would recommend that would be done?

Secretary RICHARDSON. I haven't personally had an opportunity, Senator, to focus directly on that question. But I think I would be quite hesitant to do this. An individual must be working at what is a low-wage level or his family wouldn't be eligible for family assistance payments at all. If he then goes on strike, it is a situation that he may not control. A decision to strike is a collective decision often made nationally, and his wages are cut off at that point. I would not favor, in every strike case, the individual who is out of work because of the strike thereby automatically forfeiting whatever supplementation he was already getting.

Senator MILLER. Would you yield? I do want the record to show that my suggestion was that we change this to cover workers on a wildcat strike. I believe the committee records will show that I submitted a recommendation on that point only because I recognized that in general strike situations the problems can be somewhat different. My

attention was focused on the wildcat strike as distinguished from the other.

Senator FANNIN. Mine is not and I do not feel that the Federal Government should underwrite a strike and I feel very keenly about it. I think that today we are in a competitive position where we are losing one industry after another. We are not competitive in very many industries any more and we face a very serious situation. We talk about an unemployment percentage of 5 percent. I think we are very unrealistic. If we look forward—and it is not from the standpoint of what our Government is doing but from the standpoint of our competitive position with the other countries of the world. When they report to us that they are paying 18 and 24 cents an hour in Taiwan, Korea, and Hong Kong, then we have to realize we must have greater productivity in this country if we are going to be able to go forward and we certainly can't have that with strikes and troubles and non-cooperation between management and labor. But I won't discuss that.

Secretary RICHARDSON. I do think I should add a couple of words, though, Senator.

My response to your question was directed to the situation of a worker at low wages whose family was receiving some additional income under the family assistance plan and who is then thrown out of work by the strike. I said that in such a situation it didn't seem to me that he and his family should lose benefits because of the strike. You may have been thinking rather of the situation in which an individual not receiving family assistance has his income cut off because he has gone on strike. There would be very few situations in which a family could qualify for family assistance in such a case because income that would be available to them during the rest of the year would prevent a determination that they would be likely to need supplementation during the year. Finally, perhaps most importantly, they would be almost certain not to qualify because of the assets test.

Senator FANNIN. If they are getting strike benefits?

Secretary RICHARDSON. The cases in which an individual would apply for benefits because he is not receiving wages on account of a strike and would be found eligible, would be very rare. It is true even under existing law that an individual or family doesn't lose food stamp benefits and would, I think, in most States, at least at the State option, be eligible for unemployment benefits. To summarize; first, if a family is already getting benefits, it doesn't seem to me they should be cut off. Second, the cases in which they would qualify because of being on strike would be very limited.

Senator FANNIN. My concern is whether or not he would receive additional benefits, and that was the question. In other words, I certainly would agree as far as cutting them off from what they were entitled to under the family assistance plan is different than placing them in a different position because of going on strike, and here I feel that the unions have a responsibility where the unions are involved, and they are involved in most instances, and this is the question that I posed to you.

Secretary RICHARDSON. I would be hesitant to increase their benefits. We have to have a long strike before the question would arise. They would have to in most every instance have exhausted unemployment compensation where they are otherwise eligible.

Senator FANNIN. In some States they are not eligible for unemployment compensation. Is that true?

Secretary RICHARDSON. Yes. I don't know the proportion.

Senator HANSEN. If the Senator would yield at that point just in order that I can understand precisely the position of HEW.

Let me ask this question, Mr. Secretary. Let's assume that an industry is struck and none of the persons who are on strike who were employed by that industry are drawing any welfare. Let's assume that their wages were high enough so as to exclude them from any welfare benefits. There have been cases where strikes have continued on for a long period of time, which is true with the copper strike and coal mine strikes in the past.

Do I understand you to say that in your judgment the possibilities of people qualifying for welfare in this situation would be rather minimal?

Secretary RICHARDSON. Yes; they would be very minimal both on account of the proportion of earnings they would be likely to have received already in the year and of the projection of earnings they would be likely to receive in the future; but also because of the assets test.

Senator HANSEN. Let's assume that they would qualify insofar as the assets test is concerned. Let's assume also that the strike continues on for, say, a 2-year period of time, so that insofar as their income is concerned they have no income.

Now, the question that I would like to have you focus upon is this: I understand one of the tests that you propose to impose on people seeking welfare benefits is that they must register for and be available for employment. I would assume that if they are on strike that there is employment available to them but they by their own decision chose not to accept that employment. Will they be eligible, say the strike carries on for 2 years, for welfare?

Secretary RICHARDSON. No; because as you pointed out, the wage earner in a family which applies for benefits under the family assistance plan would have to register for work and this is in the case you suppose. He already had work, he is, therefore, capable of work. He would probably be referred to work in any event, and if he then refused it he would forfeit his own benefits. In my opinion the chances are overwhelming that he would take the job.

Senator HANSEN. Well, I attempted to point out in my question that he refuses to continue on because for one reason or another, either the terms of his employment are not satisfactory to him or something is not satisfactory, which caused or precipitated the strike in the first place. So there is no question about his being able to continue on at wages which I assume would keep him, would hold him well above the sort of income necessary to qualify him for welfare, but rather of his own volition he chooses not to continue on that job, that is, he is on strike.

My question specifically is will welfare be available to him?

Secretary RICHARDSON. I had in mind being referred to another job, not of course the job on which he was on strike. Under the bill as it now stands, assuming all the rather unlikely conditions that would have to attach—a very long period on strike, a low level of assets so that the family wouldn't be excluded by the assets test, a refusal to

take the job to which he was referred and the consequent reduction of benefits that would automatically follow from this the individual's family, his wife and children would still otherwise be counted. As the bill is presently written if all those hurdles had been cleared they would be eligible for benefits.

Senator HANSEN. It is my understanding, that actually the only penalty that would be imposed on him under the administration bill would be that he would suffer a \$500 penalty for having refused to take a job. Isn't that right?

Secretary RICHARDSON. Yes, sir.

Senator HANSEN. Thank you.

Senator BENNETT. May I ask a question at this point? You must also assume there are no strike benefits.

Senator FANNIN. That is what I was asking.

Senator BENNETT. I can't think of a union that would keep its people out for 2 years without providing them with some union support. It has been my limited experience with strikers, that as soon as the strike is called they scatter and get jobs in other industries, whenever they can get them, and so I agree with the Secretary, the possibility of this is very, very remote.

Senator HANSEN. I think if the Senator is interested, and I am certain he is, there is some documentation of this precise situation occurring in the copper mines. Those people were not able to go any other place, had very little benefit in the way of union support for their strike whether by their own volition or not. I don't know precisely the fact in each individual case, but I think it is worthwhile to have a record that has been developed on this point and I appreciate the Secretary's responses.

Secretary RICHARDSON. Thank you. May I also thank Senator Bennett for mentioning that there is the further limitation of the number of people who would even be considered for eligibility that results from the availability of strike benefits. These would be counted, as the law is written, as unearned income, and so eligibility for the \$1,600 minimum would be reduced, therefore, dollar for dollar.

Senator FANNIN. I would verify what the Senator from Wyoming said. A recent copper strike lasted 8½ months, this did occur and many of the workers were not in a position to go to other localities to seek work, nor were they capable of taking jobs that might be available, for instance, in construction industry.

My time is up and I thank you very much.

The CHAIRMAN. Senator Byrd.

WORKING POOR

Senator BYRD. Thank you, Mr. Chairman.

Mr. Secretary, the first 12 pages of your statement yesterday impresses me as being an excellent presentation of the shortcomings of the present welfare system and an excellent presentation of the need to modernize and to reform our present system. I certainly agree with you that many changes need to be made.

I am trying to understand the proposed program and I must say I don't fully understand it at the present time.

On page 10 of your statement you say that "Any male head of a four-person family earning"—and you cite three States. I will take the State of New York. "—earning \$2.23 per hour in New York would have more cash if he were on welfare."

Could you give the details as to how much better he would fare under the present system and how he would fare in regard to the proposed revised system?

Secretary RICHARDSON. I will do my best, Senator.

The existing situation is one under which the total aid to families with an unemployed father under the AFDC program, at the benefit rates paid in those three States, is greater than income at the hourly rates shown calculated on the basis of an annual wage and a 40-hour week. That means that if the father stays out of work the family would get a larger total amount of income than it would get if he went to work at these hourly rates in those States.

Now, the effect of the family assistance plan that we are proposing is, in the first place, to provide a basic benefit to all families, including families with workers who are working at a low wage, with provision for a 50-percent reduction in benefit for each dollar earned up to the poverty level. That would mean that the family would be able, where the father is working but at a low wage, to obtain benefits more nearly comparable to the benefit that is obtained by the family not working at all under existing law.

In the second place, there are the requirements in the case of the unemployed father who wanted to stay on welfare rather than work at these hourly rates, to register, to accept employment that is available, or to take training, or if he is disabled, to undertake vocational rehabilitation. If he doesn't do any of these things, his benefits would be reduced by \$500 and the comparative advantage of staying out of a job then as compared with the advantage of being unemployed now, would be significantly reduced.

Senator BYRD. Would you do this, Mr. Secretary, for the record, not now, but submit it for the record, take an exact case of an individual who may be the head of a family of four, who under the present system has a job paying him \$2.23 per hour in New York and he gives up that job, exactly how he would fare and then take the same individual, at the same rate of pay who gives up his job under your proposal, set them side by side so we can see exactly how that would work.

We will go on to another.

Secretary RICHARDSON. I would like to call to your attention, Senator, as it has been called to mine, a table on page 176 of the earlier hearings that shows the general situation in a number of States, including New York. It compares monthly income at identical levels between two families. In New York, at \$2.23 an hour the monthly income would be \$383. Under the present welfare program, the welfare family would get \$461 and the nonwelfare family would have a net of \$331, assuming work related expenses equal to the average current allowance.

We will take a further look at that and see how we might be able to supplement it in the record at this point.*

Senator BYRD. Thank you.

*The Department's response appears in appendix C, p. 1136.

MINIMUM SUPPORT LEVEL

Now, you speak of a minimum support level of \$1,600. Actually, wouldn't that minimum support level be \$1,600 plus \$860 in food stamps, plus for a two-adult family \$220 per month? So the minimum support level would be a great deal more than \$1,600, would it not?

Secretary RICHARDSON. Yes, if you count, as you just have, the benefits of food stamps and the proposed health coverage.

Senator BYRD. This doesn't say anything about health coverage. It says \$110 per month for an individual in adult categories.

Secretary RICHARDSON. In the adult categories, the \$1,600 minimum under the family assistance plan doesn't apply. In the adult categories, under the House bill, there is a new uniform matching formula for Federal participation. An average benefit for a couple, whether under old-age assistance, aid to the permanently and totally disabled, or aid to the blind is \$110 a month with the Federal Government providing 90 percent of the first \$65 average statewide benefit, and 25 percent of the difference between \$65 and \$110.

But in that case the \$1,600 provisions that apply under the family assistance plan for two families would not attach.

Senator BYRD. Well, then, on page 15 of your statement, where you say "Family assistance establishes such minimum support levels: \$1,600 per year plus \$860 in food stamps for a family of four, and \$110 per month for individuals in the adult categories."

I assume that all of those would apply?

Secretary RICHARDSON. No, that is not correct but I can see how you would have read it that way. This was intended simply to list the minimums provided for in the legislation, three different kinds of minimums. But the \$1,600 a year figure and the \$860 in food stamps figure apply to a family of four and the \$110 a month applies only to the adult categories.

Senator BYRD. Well, then, the minimum support would be \$1,600 in cash plus \$860 in food stamps, over a minimum of support of \$2,460.

Secretary RICHARDSON. Yes, sir. Of course, it needs to be emphasized that the adult categories we are talking about here are only those people over 65, the blind, and the permanently and totally disabled.

Senator BYRD. Thank you.

REVENUE SHARING ASPECTS OF THE BILL

As I read your statement, States are protected through a hold harmless provision which assures that they will not be required to spend more on welfare in the future than they spend in fiscal 1971, with the exception of cost-of-living increases.

Secretary RICHARDSON. Yes, sir; that is correct.

Senator BYRD. As we go down the road, then, leaving out the cost-of-living increases, any changes or any increases in the welfare programs will be met entirely by the Federal Government. Is that correct?

Secretary RICHARDSON. Yes, that is correct, except to the extent that the State chooses to supplement its benefits. The projected increases that we anticipate for individuals and families who are now covered under public welfare are shown on the tables on page 24 of the committee print. The dramatic thing that appears in these tables is the

very substantial increase in the Federal expenditures under the existing programs. Whether or not we add the families of the working poor as we would under the proposed family assistance plan, as you can see, the line on the bottom of the first table, the total Federal share would rise under existing law by \$3 billion between 1971 and 1976.

Senator BYRD. What I am trying to get clear is that the States will have their part of the welfare program, except for cost-of-living increases, frozen at the present level. Any improvements in welfare as the years go by will be taken care of entirely by the Federal Government. Is that correct?

Secretary RICHARDSON. I think the answer to that is that if the States were to provide more generous benefits or change in some way the coverage of the levels of benefits made available to covered families, the Federal Government wouldn't automatically pick up the tab. What we have said is that we won't require the States to spend any more because of the enactment of the family assistance plan itself.

Senator BYRD. Now, you say on that same page "Many States will in fact experience substantial fiscal relief."

As I understand it, of the relief which will be obtained, 35 percent will go to California. Another way of stating it, five States, including California, would obtain, would receive 63 percent of that relief and the other 45 States would have the other 37 percent divided between them.

Secretary RICHARDSON. Yes, sir. This is a result of largely of the new provisions for the Federal matching in the adult categories. In the case of California, which has rather high benefits for adults, the substitution of the formula I referred to earlier, 90 percent of the first \$65 average payment and 25 percent of the balance, has the effect of bringing about a larger proportional Federal share in California than in other States.

Senator BYRD. So the bulk of the revenue sharing would go to five States, two-thirds.

Secretary RICHARDSON. Yes, sir.

Senator BYRD. And the other 45 would be involved in only 37 percent in total?

Secretary RICHARDSON. If you look at tables of public welfare expenditures—I am not sure it is in the same ratio—but these are also the States with the highest welfare expenditures. Total combined Federal-State welfare expenditures in California is something like a billion and a half dollars.

Senator BYRD. The fact is under the proposal of the revenue sharing aspect of this bill, 35 percent will go to one State and 63 percent will go to five States.

Secretary RICHARDSON. Yes, sir.

Senator BYRD. All right.

Secretary RICHARDSON. This is an automatic consequence of the bill.

Senator BYRD. Regardless of the reason, the fact is as stated.

Secretary RICHARDSON. Yes. I meant simply to comment on the word revenue sharing. This wasn't a specific objective of the bill. Insofar as the committee might feel that it was desirable to use the aggregate \$662 million, aggregate saving for the States on a revenue-sharing basis, then it would be necessary to substitute some provision for the automatic distribution in the bill.

DETERMINATION OF ELIGIBILITY FOR FAMILY ASSISTANCE

Senator BYRD. You say on page 17 "The social worker will no longer be the policeman for the taxpayer."

Who will be the policeman for the taxpayer?

Secretary RICHARDSON. This would be the job of the Federal agency charged with the determination of eligibility and the administration of income payments, together with the State agencies that carry out this function in the States which elect to do it themselves. The system would rely to a very large extent on crosschecks with reports of income by employers under the internal revenue system. It would be done through intensive spotchecking of individual cases and so on. But in any event, it would be done by the people who are responsible for administering money payments rather than by the social workers who would be responsible for providing social services.

COST OF FAP

Senator BYRD. In regard to the total cost of this program, estimated 9.1 billion for fiscal 1971, is that estimate based on current figures or is it based on 1968 figures or just what is the estimate based?

Secretary RICHARDSON. It is based on a survey which was made for the Office of Economic Opportunity using a sample of approximately 30,000 families. It was later updated for purposes of the present projections. The methodology is quite well described in the committee print beginning at the bottom of page 19.

The data originally obtained were projected forward to 1971 and 1976, it points out at the top of page 21, by incorporating known growth rates in population and income.

Senator BYRD. When was the survey made?

Secretary RICHARDSON. 1968.

Senator BYRD. What organization made the survey?

Secretary RICHARDSON. It was made under the direction of the Bureau of the Census and it relied on cooperation of the Office of Economic Opportunity, members of the Brookings Economic Study and Commuter Center Staff and on an organization called Assist Corporation.

Senator BYRD. The new program we are now considering in round figures will cost double the present program.

At this particular time, do you feel we can afford to double the cost of welfare?

Secretary RICHARDSON. I am not sure where you get the doubling of the cost, Senator. The tables on page 24 of the committee print deal with the aggregate costs, 1971 through 1976 in the top table, and they show that under the family assistance plan, including both payments to families and payments to adults, that the total goes from \$7.8 billion in 1971 to \$8.8 billion in 1976. Under current law, the figures go from \$5 billion to \$8 billion only in 1976, \$800 million less than the Family Assistance Plan. And it shows a total rising to \$5.4 billion under AFDC Federal share alone.

Senator BYRD. In the first place you haven't included all of the costs in that. For example, you haven't included the cost of food stamps, you haven't included other costs, but in any case the present welfare program, as I understand it—check my figures—is roughly

\$4.4 billion for this current fiscal year. This would go to \$9.1 billion in round figures. That is where I am getting the doubling of the cost.

Secretary RICHARDSON. You have figures on page 23 of yesterday's committee print which show the total cost under the administration provision of \$9.1 billion, but that includes \$500 million that are projections of increases under existing law for the currently covered AFDC families and adult categories. The \$5 billion total at the bottom is the combined total projected for 1971 of the existing welfare payments. There is no reflection here of the State costs, of course.

Senator BYRD. I am speaking only of the Federal cost. The Federal cost of the present cost of welfare payments, Federal share under the present law, is roughly \$4.4 billion, give or take 100 million or so. Roughly \$4.4 billion. And that will go in fiscal 1971, under the administration revision, to \$9.1 billion.

Secretary RICHARDSON. These are now noncomparable figures. The 4.4 needs to be increased to 5 to get the 1971 figure, and you need to subtract half a billion from 9.1 which gives you 8.6. So the comparison should be 8.6 to 5. So the aggregate increase is 3.6, including costs of training and day care.

Senator BYRD. What is the half billion you subtract?

Secretary RICHARDSON. The 500 million, you see if you take the table on page 23, shows payments to families under the House Report; 4.6: administration revision; 4.9. Three hundred million dollars of that is the result of an updated projection of family costs.

Senator BYRD. That is what it is going to cost?

Secretary RICHARDSON. Yes. But the total that you need, therefore, to look at for existing law is the \$5 billion figure, the next to last one at the bottom of the column. And what I am saying is that if you want to compare this total program you compare the cost of it less the cost of the increases in the existing program.

Senator BYRD. Anyway you look at it, it is a very substantial increase, somewhere around \$4 billion. My question is this: Do you feel at this particular time—I don't say we can't, I want to get your view—at this particular time can we afford to increase welfare by \$4 billion?

Secretary RICHARDSON. I think the answer to that is, Senator, that the President developed his budget for fiscal 1971 on the basis that this program would be enacted and go into effect. It was necessary for him to weigh a wide range of competing claims on this budget. It was expected that the effective date of the bill would be the beginning of fiscal 1972 and that if we didn't do this we would be heading into everincreasing costs under the existing program, along with its compounding of inequities and disincentives. He felt that it was necessary to start something and that it was urgent enough in terms of its total social impact to go forward with it now. And that is still his position.

Senator BYRD. In other words, it is the position of the President, of the administration, that despite the inflationary pressures, despite the continued an increased unbalance of the budget, that we still should go ahead with a new program which will cost at least an additional \$4 billion in round figures?

Secretary RICHARDSON. Yes. I should emphasize, of course, that the considerations that you have identified are important reasons why the program should not be made more expensive than this, which would

happen, of course, if the \$1,600 family minimum were raised, or if the incentive to work were increased.

Senator BYRD. That leads me to one final question. If the \$1,600 is raised, or other benefits are raised, increased in cost, would you then and would the administration oppose any such increase?

Secretary RICHARDSON. Yes, it would. These costs are very high. They have been shown in a number of tables which I think are available to you. One convenient place is the House committee report, which has a table at the top of page 49 showing that the consequences of increasing the basis benefit level by \$100 intervals rise very steeply from the level contemplated in this bill to a point, for example, they were raised as high as \$3,600, where the total cost would be more than \$20 billion.

Senator BYRD. Mr. Secretary, when this committee requested that HEW take back the House report, the House proposal and revise it, which HEW did, and now has brought in the revised report, brought in an increase of almost a billion dollars, \$900 million in about a 5- or 4-week period, whatever length of time the Department had it.

Secretary RICHARDSON. I think it is important to clear up a misunderstanding on this point which was reflected both in Senator Long's statement yesterday and also in this committee print.

The \$500 million of that increase is not the result of any changes in the bill, it is the result of updated estimates of the cost of welfare payments under present law. That is shown at the bottom of page 23, a \$500 million increase, consisting of \$300 million in AFDC and \$200 million in the adult categories. So these do not result from any changes made in the bill since it passed the House.

The one item that does represent a real increase is the increase in food stamp costs of \$400 million. And this is incorporated because we wanted to have a uniform availability of food stamps on scale declining as earnings rose, thereby achieving greater equity and removing the notch that had been identified in the April hearings of this committee. But the only net increase brought about by the administration change is this \$400 million for food stamps.

Senator BYRD. Thank you, Mr. Secretary.

Secretary RICHARDSON. Thank you, Senator.

The CHAIRMAN. Senator Hansen.

INCREASING NUMBER OF WELFARE RECIPIENTS

Secretary HANSEN. Thank you, Mr. Chairman.

Mr. Secretary, I think all of us were pleased and receptive to the President's words in recommending reform of the welfare legislation on the books in our country.

He stressed two points that struck me as being particularly significant. The first one was that welfare needed to be reformed so as to provide a real incentive to encourage people to get off welfare and move into productive employment, whether it was in the public or in the private sector.

Secondly, underscoring most of his message has been a theme he has repeated from time to time, and he has taken occasion to admonish the Congress, as we all know, on an attitude of spending more than we take in and spending with little concern for a balanced budget.

Bearing in mind these two themes which he has touched upon and which I think has struck responsive ears, when you appeared before the committee last month for your confirmation hearings Senator Talmadge noted that the welfare bill would add about 14 million persons to the welfare rolls. You responded, I think, that the approach that has been taken in family assistance plan is a sensible approach, even though its short-run effect will be to add some people to the present welfare rolls. The Department's projections show that the welfare rolls, if the bill is enacted, will rise from 24 million in 1972 to 28 million by 1976.

When you stated that the short-run effect of the bill would be to add some people to the present welfare rolls, was it your impression that after 1976 the welfare rolls would decline sharply if this bill is enacted? And one further question. In what year do you reasonably expect we would be beyond the short-run effect?

Secretary RICHARDSON. I should point out I didn't have very well in mind at the time what the actual figures were. I was talking in general terms about the desirability of adding some people in order to achieve the benefits of equity and to eliminate disincentives that existed under the present system. But I think it is apparent from the figures that the lines cross at some point. While the total number of people receiving benefits under the family assistance plan would rise from 23.8 million in 1971, according to the Department estimates, to 28.3 million in 1976, which is a total increase of 5 million people, during that same period the Department estimates that the increase under existing law would be from 11.6 million people to 19 million, which is a much more rapid increase. So if you projected it another 5 years or so, the total under current law probably would then be higher than it would be under the proposed family assistance plan. And this is a very important long-term consideration when you couple it with all of the other things that we are trying to accomplish through the provision of work incentives and the elimination of disincentives together with job training and the increased opportunity for work that would be provided by the availability of day care.

Senator TALMADGE. Would the Senator yield?

Senator HANSEN. If I could have one further question and then I would be happy to yield.

Are you saying if you increase the welfare rolls greatly enough, if you put enough more people on welfare, then the rate of rise in the welfare rolls will be a percentage which is smaller than it would be if we were to continue on the present system?

Secretary RICHARDSON. I think it is more a matter of looking at the interrelated effects of what we are proposing. As my testimony sought to emphasize, we have a situation now in which there are incentives not to work. What we are trying to do in this total plan is to strengthen incentives to work and to increase work opportunities. And we think, therefore, that with these combined programs the result will be over time to reduce numbers of people who are depending upon income support. If we were to continue along the same track as we are on now, the numbers of those who would become eligible for income supplementation of some sort would get higher and at a faster rate. I don't think you can look at the family assistance plan or any of its provisions separately. The coverage of the working poor is a step

we think necessary to eliminate an inequity and a disincentive to work arising out of the rather high levels of coverage of AFDC families.

There is one other point that needs to be stressed because it pervades a number of the comparisons that have been made, particularly the comparisons of the numbers of people who would be added as shown in the tables in the committee print distributed yesterday.

The statement is, for example, that welfare rolls would be more than tripled under the administration revision, page 7. These are not in effect entirely comparable figures. The comparison with the existing situation is with people who are now on the rolls, not with numbers of those who are legally eligible for payments; whereas the number shown as the number to be added is the number of those potentially eligible. I think we could expect that there would be proportions of people not utilizing the new plan somewhat comparable with people who are now eligible but not receiving benefits under existing law. So this somewhat inflates the increases in rolls that would in fact be expected to take place.

Senator HANSEN. I would like to yield to my distinguished colleague, Senator TALMADGE. I thank you.

Apparently there is some contradiction in your view on that point and those of your predecessor, Secretary Finch. When the previous Secretary testified, on page 227 of the hearings, I was interrogating the Secretary, and I quote:

Senator TALMADGE. How do you expect these work incentive features of your proposal will remove people from the welfare rolls, if ever.

Secretary FINCH. We don't. Obviously in the categories in the case of youngsters, you are not removing them from the rolls. I think our target population is 3½ million adults who are reachable in terms of getting jobs and working themselves off the rolls.

Secretary RICHARDSON. Senator, looking at the colloquy on that page, there are references to adult categories and references to children, and further down reference to the target population who, as Secretary Finch pointed out, are reachable in terms of getting jobs and working themselves off the rolls.

Now, in the adult categories, we wouldn't expect to be able to do much better than we have been able to do up to now since these are people over 65 or blind or permanently and totally disabled. There are also a great many children who would be covered and added who wouldn't work until they got old enough to work. So that leaves the working poor who would be added and who are already working, and the problem there is to help them to upgrade their skills and get better jobs.

We are concentrating on then the mothers of children of school age who are not working or who are working only part time, fathers who are employed or working part time, or working at very low pay jobs. And we hope and believe that the combinations of things that are a part of this plan—work training, the income incentives, the day care opportunities for working mothers—will produce a very significant number of additional employed people who are not now employed, because we don't currently have this combination of things converging on that objective.

Senator TALMADGE. I thank my friend from Wyoming for yielding.

COMPUTING COSTS OF FAP

Senator HANSEN. Mr. Secretary, in the material submitted describing how the costs of your proposal were estimated for the first 5 years, credit is taken for a cautious and conservative approach. I refer you to page 22 of the committee print. Because the estimates do not take into account the potential savings due to the training programs. How much do you expect those savings to amount to in each of the first 5 years after enactment, and how many persons will be trained and placed in each of those years?

Secretary RICHARDSON. I can't give you a figure for that, Senator. We would be glad to get together with the Labor Department and see what we can come up with. Since you have raised the question now I will inform the Labor Department and perhaps their witnesses will be able to testify to it when they appear next week.*

Senator HANSEN. I appreciate your response, Mr. Secretary. I am certain that we may find encouragement or be discouraged as to what their projections are as to the efficacy of this training program.

Secretary RICHARDSON. I think we could say that any gains through all of these things would result in a reduction of cost.

Senator HANSEN. Over no gains at all?

Secretary RICHARDSON. Yes. The statement here is valid in the sense that our cost estimates are conservative in not having reflected even minimum assumptions about increases in the numbers of jobs.

Senator HANSEN. On page 22 I call attention to a point midway in the long paragraph, about halfway down that page, to these words:

Additional example of this conservative approach is reflected in an adjustment made in the CPS, Current Population Survey, to correct an apparent inconsistency between the survey data and actual program data. The amount of public assistance income reported in the survey is less than the actual dollars paid out.

It is my further understanding that the family assistance cost model is being reprogramed to take into account the effect of disregarding the Federal income tax in computing family assistance benefits—

We expect this work to be completed very soon. Until output from the revised model is available, it is impossible to precisely estimate the cost of the tax disregard. However, we expect that it will total no more than \$50 to \$100 million. Less than 50 percent of the increase will be from Federal funds.

I think this statement may have come from some of your people. Would anyone know if that is right?

Secretary RICHARDSON. I will ask Mr. Patricelli if he would comment on that, Senator.

Mr. PATRICELLI. We have had the opportunity, Senator, to do some further calculations on that late change and the cost of permitting a deduction of these Federal income taxes is now estimated at \$60 million.

Senator HANSEN. \$60 million?

Mr. PATRICELLI. Yes, sir.

DETERMINING ELIGIBILITY FOR FAP

Senator HANSEN. Mr. Secretary, under section 443(B)(5) on page 11 of your revised bill, you require the exclusion of any other assistance except Veteran's pensions, which is based on need and furnished by a tax-exempt organization. Does this mean that a foundation grant to

*A further response from the Department appears in appendix C, p. 1186.

the aid of a former senator would be disregarded and he would be eligible for welfare if he has no other source of income?

Secretary RICHARDSON. I understand, Senator, that we have submitted a staff paper to take care of that problem and to exclude the eligibility of an individual receiving such a grant.

Senator WILLIAMS. You say you have submitted or will submit?

Secretary RICHARDSON. We have submitted.

Senator BENNETT. To this committee?

Secretary RICHARDSON. So I am told.

Senator WILLIAMS. The staff is going to try to find it. Would you submit it at this point in the record where it is, and as I understand the answer to the Senator's question is yes, they would be eligible for relief under this bill.

Senator HANSEN. If the Senator from Delaware is in error, would you clarify his and my thinking, his and my interpretation of your response?

Secretary RICHARDSON. My response was, first, that I understood that there was a staff paper which had been submitted. In any case, we will assure that it is inserted at this point in the record and I will check on where it is. But I further said that it was my understanding that our response was designed to suggest ways that would make sure that such an individual was not eligible.

(After the hearings, the following material was received.)

EXCLUSION OF INCOME FROM A FOUNDATION FROM THE FAMILY ASSISTANCE PLAN

It is clearly necessary within the Family Assistance Plan structure to exclude from consideration as income amounts that are provided by State or local governments or by other Federal programs as a supplementary payment related to a family's subsistence needs. Otherwise, one is faced with a circular situation which is highly undesirable. For example, in the case of food stamps all income from other sources is counted in determining the amount of food stamp bonus for which a family is eligible. An undesirable result would occur if, in addition to this, the value of the food stamp bonus itself were to be counted as income. In the case of general assistance provided by the State to bring a family's income level up to a State standard the same problems exist.

Certain private, charitable organizations, including foundations, sometimes provide assistance of a similar type. For example, the Salvation Army or the American Red Cross may provide emergency aid which clearly should not be taken into account as income. The criteria, regardless of what type of non-profit source is involved, should be economic need of the individual or family. The language in the bill should attempt to distinguish between payments made because an individual or family has insufficient income from other sources to meet its subsistence needs as contrasted to grants made to permit someone to engage in a project or to do a study.

If the provisions of section 501(c) (3) or (4) of the Internal Revenue Code cover situations other than these where the primary criterion is economic need, further refinement would be desirable. We have not found an easy way to do this in terms of the Internal Revenue Code itself. It is the sort of area that could be made completely clear as to its purpose in the legislative history of the bill.

Senator HANSEN. Mr. Secretary, section 444(A) (2) of both H.R. 16311 and your revised bill permits the Secretary in determining the resources of a family to exclude their property which, as determined in accordance and subject to limitations and regulations of the Secre-

tary, is so essential to the families means of self support as to warrant against exclusion.

In your explanatory material which appears on page 65 of the committee print, you state that we would propose that the value of business and/or assets up to a limit of \$25,000 or such other figure as national data on small businesses would suggest, would be excluded in determining the resources of a family if they are necessary for conducting a trade or business, and are in such actual use. This proposed limit would be intentionally set high to avoid disincentives for individuals who start businesses and lift themselves out of poverty.

It sounds incredible to me you would want such families to be on welfare. What do you have in mind? We have heard about welfare Cadillacs. I just cite that as an illustration of a concern that is expressed to me and other Senators.

Secretary RICHARDSON. What is visualized here, for example, is a corner newsstand or variety store in a poor neighborhood, which is the source of family cash income apart from this program. It was felt we didn't want to exclude such a family where they would otherwise be eligible. The problem then is how do you decide whether or not they should be included. The approach taken is reflected here. We did not want, in effect, to say that if a family received \$1,000 a year or \$2,000 a year of income from some kind of hourly wage they could be eligible, but if they got \$2,000 a year in income from a small store they would not be.

So what we are driving at here is an approach to determining when the assets reach a level that ought to disqualify the family. We would like to see such a family lift itself to a point of complete self-support. If they are able by one device or another to borrow the funds to start the store, should not they continue to be eligible for awhile? In any event, this is what we are getting at. It is the kind of thing I think we can work out with the committee and in the statutory language. We can obtain an indication of what we are talking about through discussion with the committee and committee staff in executive session.

POSSIBILITY OF REVISED COST ESTIMATES OF FAP

Senator HANSEN. Mr. Secretary, all of your cost estimates are based on surveys which ask a small number of families how much their income was during the preceding year. Since family assistance eligibility is based on factors, isn't it likely that many families which your survey would show as ineligible on the basis of their annual incomes would actually be getting family assistance during one or more quarters of the year, could not it be possible that the cost actually might be higher under the bill than the estimates indicated it would be?

Secretary RICHARDSON. I would have to ask people more expert on how the estimates were made to give you a complete answer. They did factor into the projections the proportion of individuals and families engaged in part-time or intermittent work and gave a basis for estimating the proportion of such families that would, during a part of the year, become eligible under this program. But if you need more complete data on this, we would be glad to provide it or I could call on somebody who knows more about it here, if you would like.

Senator HANSEN. Let me say this: I should think if we were able to be provided with any revised estimate which might give proper consideration to this factor, which may be important, it seems to me to suggest that it is important.

Secretary RICHARDSON. It is important.

Senator HANSEN. We would appreciate having it in order to make a better determination as to actual cost.

Secretary RICHARDSON. I certainly agree that it is important, but I think it has been reflected in the costs which we have already submitted. I will be glad to submit for the record, at any rate, the way in which and the extent to which it has been taken into account so you can then judge whether you think it is adequate.*

Senator HANSEN. I think I have used all of my time, Mr. Chairman. Just let me say in closing Mr. Secretary, I want to compliment you on acquainting yourself with the ramifications of a very complicated bill and being very well informed in a short period of time.

Secretary RICHARDSON. Thank you, Senator.

DESERTING FATHERS

The CHAIRMAN. Mr. Secretary, with regard to this problem of these fathers leaving their families in order to make their family available for welfare, would it not seem that the best answer to that is to say that where a man is a father of a number of children and for any reason he leaves so that he wouldn't be available to support that family, when he finds a job somewhere this Government should have a means appropriate to both locate that man and to require that he make payments to the support of his children?

Now, you were testifying here that poverty is a Federal problem. Well, when these fathers, and I am sure there are probably at least a hundred thousand of them around, proceed to make themselves unavailable by leaving home and taking a job somewhere else, why shouldn't we use all of the power available to this Government to locate these people and garnishee their checks to make them help support their families?

I notice here that the level of benefits for a family of four or in a larger family, as the case may be, according to a chart you have given us, would provide \$2,208 of AFDC money in Phoenix, Ariz. If that man is working somewhere at \$5,000 a year, why shouldn't we take advantage of the fact that his employer is reporting for social security purposes, reporting for unemployment insurance purpose, reporting for purpose of withholding taxes on his check? Why shouldn't we just use the long arm of the Federal Government to reach out there and also assess against him a reasonable amount for the support of those children he left and pay that over to the support of his family? Wouldn't that be a better answer than to assess that against other working people to make them pay the money in taxes to support that family because he deserted it?

Secretary RICHARDSON. I think it would be, Senator, and, as you know, this committee did provide in 1967 for welfare agencies to have the help of the Internal Revenue Service address file in locating de-

*The Department's response appears in appendix C, p. 1137.

serting parents. This bill, too, as passed by the House contains provisions for fulfilling a Federal plan against a deserting father. It would provide for withholding any Federal payment from him, whether in the form of veteran's benefits or a tax refund or soil bank payment or anything else. There are to be sure some administrative problems in this but the general point you make is one that we share and support. The House Committee felt very strongly about this in providing for the establishment of this means of collecting from the deserting fathers.

The CHAIRMAN. Well, that is just to locate the file and to withhold against Federal benefits that this man could draw. This Committee reported out legislation to act in the area, to collect money that he would be earning from private employers, but we were unable to make that stick in conference with the House. The principal reason for it was that the tax-collecting agencies just didn't want to fool around with playing any part or assisting us in setting up a mechanism to collect from those people what should be paid for the support of their children.

Now, I have had some chance to deal with this subject in a small way, Mr. Secretary. When I first started practicing law I wasn't in a large firm, I hung out my shingle as some fellows have been known to do, and I had mothers come to me from time to time. I found we could have pretty good success with this procedure if a father wouldn't pay for the support of his children: Either make him pay or put him in jail. And as long as you had him within the State, you had a fair chance to get something out of him.

Of course reaching across State boundaries it is very difficult. If we make all of the potential of the Federal Government available, it occurs to me when you establish to their satisfaction that the long arm of this Government can reach out and get them and make them pay to support those families, we might be able to make some of these fathers interested in family planning as well as some of these mothers. As long as they can simply leave the State and take out for the high hills and not be reached anywhere, we are going to have difficulty in making them pay.

Now, your Department has some responsibilities on both ends. You have the social security tables that comes up under your cognizance and you certainly have a big program to administer.

Wouldn't it seem that we might be able to make a father come home in some of these cases by the ability to go out and reach him and make him pay?

Secretary RICHARDSON. Mr. Chairman, we certainly support this objective. I think that the 1967 amendment has made a significant contribution in this direction.

We have data from the Internal Revenue Service that through March 1970, the IRS processed 22,229 inquiries from State agencies and was able to supply an address in about 16,000 cases.

Under the proposed family assistance plan, whose overall administration would be handled by a Federal agency, I think we could expect to do better than this, because we would have the opportunity for crosschecking on a continuous basis. We would be able to supplement our data with data from both the Internal Revenue Service and the

Social Security Administration to aid us in locating fathers who have deserted their families.

I am not sure that we should employ Federal people to search for those fathers, however, I think we should, rather, seek ways in which, once the fathers had been found, we could bring to bear the Federal claims that would be established under the law. This would not only provide for getting at any Federal payments due, but would also permit reaching any other assets necessary to cover overpayments.

The CHAIRMAN. Well, I personally think it ought to be against the law for that fellow to cross a boundary into Canada or Mexico, if he is leaving destitute children or leaving children behind that the Government must support.

You have had some experience in the State Department and perhaps we could negotiate an agreement with Canada or Mexico, if he tries to run out of the country to try to avoid his responsibilities, and we could reach him there, too.

Secretary RICHARDSON. I think that would be a good idea.

The CHAIRMAN. I look forward to working with you on this, Mr. Secretary. I think this is one area where we can take the burden off of a lot of people who shouldn't have to pay, and put it on those who ought to have to pay.

Senator BENNETT. Do you think we would have any better luck with them than we would have had with draft dodgers that went to Canada?

The CHAIRMAN. It is all right with me to go after both.

Senator BENNETT. Canada won't turn back the draft dodgers.

The CHAIRMAN. Well, of course, in many instances we just haven't used the power available to us. There are a great many things Canada wants from us. If we just use our good judgment on how to go about it, we can do it. Just refuse to let them sell us fish or gas is one good way to make them take an interest in cooperating with us on some of these things.

There are bound to be ways if we use the leverage available to us.

WELFARE AS A RIGHT?

Do you believe there is any constitutional right for a person to draw welfare?

Secretary RICHARDSON. No, sir.

The CHAIRMAN. I don't think so, either. I am glad you have that answer.

Secretary RICHARDSON. Of course, the answer needs to be qualified, as I am sure you readily recognize. If the system is established, it must be administered in a manner that is not discriminatory or in violation of equal protection, or of other constitutionally established rights.

FAP AND THE AGED

The CHAIRMAN. Mr. Secretary, estimates submitted by your Department project an increase of only 100,000 persons, yet the Social Security Administration study shows that well over 1 million aged persons, and close to 1 million severely disabled persons are not now receiving welfare and have incomes below \$110.

Why does your Department estimate or assume that so few of these persons will receive welfare under this bill?

Secretary RICHARDSON. The programs have existed for a long time, and the people who are eligible for them are well aware of the availability of benefits. The only really significant changes brought about by this legislation would be establishment of uniform national minimum benefits and a change in the basis of Federal matching.

The bill wouldn't significantly affect the kind of things that influence eligible individual's decisions to apply for benefits. So the 100,000 caseload increase that is shown is an increase that results from expanding coverage to a larger number of people through an overall increase in the minimum level of benefits.

WORK INCENTIVES

The CHAIRMAN. Now, you state that "The Family Assistance payments to working families with children will move 2 million persons across the poverty line."

Is it possible for you to give us a State-by-State breakdown of this figure, and can you also give us a State-by-State data on the number of family assistance plan recipients who will still be in poverty if the bill is enacted?

Secretary RICHARDSON. Yes, we would be glad to do that.

(The Department subsequently submitted the following information:)

There are no State-by-State data available on numbers of people removed from poverty by FAP. The only source for such information is the Current Population Survey sample. However, since numbers of people crossing the poverty line within a particular State would constitute a very small portion of this national population sample, the State-specified data that would result from extracting such information would have little statistical validity.

The CHAIRMAN. In one part of your testimony you state that:

"The Federal Government is forced into the position of discriminating sharply in its treatment of equally needy families in different States" and in another you point out the provision of existing law which prohibits initial AFDC eligibility for a working mother whose earnings are more than the need standard of the State.

I might point out, however, that your Department has had an opportunity to treat needy families in a uniform and equitable manner in all States and give real meaning to the work incentive objectives expressed to the Congress, but has failed rather markedly in one case that has been reported in the press.

I have reference to the existence of a provision in the District of Columbia welfare plan which denies welfare eligibility to a woman working full time, even though her earnings are below the standard of need established in this jurisdiction. A similar Georgia provision was struck down over 2 years ago by a three-judge district court, and no appeal was taken.

I assume the department agrees with the court decision, but your Department has issued no regulations prohibiting such State provisions and the District of Columbia provision still stands.

The result is that women in the District of Columbia are being advised by their caseworkers to give up full-time work and thus be eligible for welfare in order to meet their needs.

Certainly you will agree that it was our intent to encourage full-time work and welfare supplementation if the earnings did not provide for the full need of the recipient.

How long is this District of Columbia provision going to be allowed to stand?

Why is this plan illegal in Georgia but sanctioned in the District of Columbia?

Secretary RICHARDSON. We certainly do agree, Mr. Chairman, with the importance of carrying out the work incentive provisions that are already in the law. They should be applied in the case of the women you mentioned.

I am told that investigative activity to assure compliance is underway in the District of Columbia. I will follow it up to make sure that full compliance is made.

The CHAIRMAN. One other thing, Mr. Secretary, about this provision in States in their plans that do not meet full need. Isn't that in many instances a case of trying to do to a greater degree what we have done with this \$30 plus one-third rule? In other words, by providing that the need is, let's say, \$1,000 more than the State provides by its plan; isn't that an effort to make it so that these people would have an incentive to go to work and earn at least \$1,000 to help themselves or to encourage someone to provide them with housing, meager though it may be, or some other assistance, so that by doing so they would not reduce what those people would otherwise be in a position to receive under a State welfare plan?

Secretary RICHARDSON. I am sure you are right, Mr. Chairman, but the effect of permitting families to retain income falling between the level of actual State payment and the State need standard without any reduction in welfare payments is a very significant work incentive. We would favor it but for the additional problems that it creates. Most difficult among these is the so-called galloping supplemental problem. Earnings reduce the minimum base of \$1,600 payable under the Federal program. That in turn increases the gap between the family payments and the State standard, the result would be that the State fills up the gap. The more the family earned and dropped the Federal standard, the more the State would have to pay.

This was among the things that we tried to fix in the June amendments.

I think we should submit for the record—and I will be glad to do it at this point—a more complete statement of this problem and how we propose to approach it.

The CHAIRMAN. Will that be accompanied by legislative language, Mr. Secretary?

Secretary RICHARDSON. Yes, it does need to be dealt with in legislative language. We dealt with it in the June amendments by providing for a single State supplemental payment level for families of given sizes with no income. This is what created the problem of penalizing approximately 300,000 families in 22 States, as we pointed out yesterday. It was in order to overcome that problem that I suggested yesterday that we "grandfather in" families who are presently benefiting. The problem must be dealt with somehow, so I think it would be useful if the committee had a complete explanation of the problem from us.*

The CHAIRMAN. Well, Mr. Secretary, as you can detect from what I said here and what I said to you individually when we discussed

*As of November 4, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

some of these problems, some of us on this committee have some ideas as to ways that might help more effectively achieve the objectives that you have stated for this bill, and I look forward to working with you on these suggestions. Some of them would perhaps involve cranking into the wage that a person earns some of these welfare benefits rather than having him earn the wage individually.

Those are things we can work on hereafter.

I want to thank you for your presentation here and I have no further questions during this morning's presentation.

I believe we are going to meet with you tomorrow to discuss your social services that your Department would make available.

INCREASING MEDICAID ROLLS

Senator ANDERSON. Thank you, Mr. Chairman.

Mr. Secretary, the material that your Department has submitted to the committee showing the number of families headed by females will be increased by almost 3 million if the bill becomes law. Does that mean that 3 million more persons will be eligible for medicaid under the bill?

Secretary RICHARDSON. For medicaid?

Senator ANDERSON. For medicaid.

Secretary RICHARDSON. I am not sure, Senator, what the additional number of people would be.

Under this plan, we propose to provide a minimum level of medical benefits for all families covered, which would include both families who are now covered under AFDC and the working poor families who would be added.

I am not sure whether this answers your question. On page 30 of the committee print is a table showing the estimated number of families eligible for family assistance benefits in 1971. Male-headed families total 1,642,000, and female-headed families, 886,000. All of those families would be covered by the family health insurance plan which we intend to propose.

(The Department subsequently supplied the following additional information on the preceding question:)

Families defined as "working poor" are not now receiving Federally aided assistance and therefore cannot be considered "categorically needy" for the purposes of benefits under existing Title XIX (Medicaid) programs.

Approximately 650,000 additional female-headed families beyond those estimated to be receiving AFDC will be eligible for some combination of FAP and/or State supplemental benefits in 1971. Of these families, an estimated 600,000 would not constitute new Medicaid eligibles primarily because:

(a) Many of these families live in the 28 States which already provide medical assistance to the "medically needy"—thus such families may already be eligible for Medicaid benefits:

(b) Some of these families who will be newly eligible for cash assistance under FAP will not be eligible for State supplementation and therefore will not become eligible for medical assistance under existing Title XIX programs.

Thus only about 50,000 additional female-headed families will receive benefits under existing title XIX programs because of H.R. 16311.

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. Mr. Secretary, you furnished some charts in connection with requests of both myself and the committee, and I appreciate very much your cooperation in making these available.

There is, however, still one chart which I don't have in here and I am hoping you will have it ready for us tomorrow, and that is the amended version of H.R. 16311. I would like to have that projected on the same assumptions as we used both for the bill as passed by the House. The charts you have submitted this morning, you have taken into consideration an assumption that the administration will submit a revision of the medicaid and the Congress will approve it as submitted, and also the food stamp plan.

I realize those assumptions are valid assumptions and very properly that they be taken into consideration as we move forward with the bill.

On the other hand, recognizing that sometimes the best laid plans for what we are going to do next year never materialize, or Congress may change its mind, I would like to have the chart projecting those same series of examples on the assumption that this bill as it is now submitted to the Congress, including the housing provisions which are made a part of the bill, very properly, that I go along with that, but on the assumption that next year there would be nothing done.

So that we could then see the importance of doing something.

Secretary RICHARDSON. Yes, we would be glad to provide that. In fact, we have done the calculations already, Senator, and we can provide it as soon as you want it.

Senator WILLIAMS. We won't get to the chart today and I would appreciate it if you could do that. Then we would have the complete comparison on the same basis and at the same time it would demonstrate or illustrate the importance of taking into consideration the need of further modification of these other programs which may or may not develop.

Secretary RICHARDSON. We will be glad to supply those. As I said, the work has been done and we can show it in the same format.

Senator WILLIAMS. If I can get a copy of that and look at it tonight, I would appreciate it.*

Secretary RICHARDSON. We can provide that this afternoon, Senator.

DETERMINING ELIGIBILITY FOR ASSISTANCE

Senator WILLIAMS. Now, Mr. Secretary, in determining the eligibility for an individual for supplemental benefits under this program, dealing with the administrative procedures now, the earnings test would have to apply.

For example, a man earning \$2,000 would get a amount of benefits, \$3,000, and \$4,000, and so on.

*The Department submitted tables in response to Senator Williams' request for combined benefit tables for amended H.R. 16311, projected on the same assumptions as passed by the House. See app. D, tables 13-16 for female-headed families, pp. 1220-1233, and tables 25-28, pp. 1244-1249, for male-headed families using these assumptions. Benefits under current law medicaid, current law food stamp schedule, and proposed public housing are shown.

The question is: Who would have the responsibility of determining the earnings of John Doe? How would he present that to the agency, and what agency will it be presented to?

Secretary RICHARDSON. The answer depends, first of all, on the type of arrangement that has been made between the State and the Federal Government.

If we are talking about a family headed by a working male which is not now covered, then the administration would be Federal.

Senator WILLIAMS. Working is what I am figuring on, an individual who is working but whose income is below the level where he would be eligible for supplemental benefits.

Secretary RICHARDSON. In the case of a male-headed family, he would go to a local Federal Family Assistance office. We have a team headed by Mr. John Montgomery, former commissioner of public welfare in the State of California, working on the procedures for handling this. They are looking at such questions as how many local offices would be required, who would administer them, how such administrators would be trained, and how many of them would be people presently employed in public welfare offices.

An individual applying for benefits would fill out a form providing information such as the number of people in his family, how much income he was receiving, whether he was being paid an hourly wage rate or whether he was receiving intermittent income received from selling farm produce, and so on.

The Family Assistance office would initially make a determination of eligibility from the information supplied the individual on this form.

Mr. Montgomery's staff is working on these forms now in the confident hope that the Congress in its wisdom will enact this legislation.

I couldn't go into much greater detail myself, but if you would like to hear more precisely what the form covers, we can—

Senator WILLIAMS. No; that is all right. I am not getting into that. The point that I am trying to get at now is when you get the form filled out and the man claims eligibility and it is determined there are benefits under the family assistance plan, the Federal contribution, it would also determine the amount he would get as a State supplement.

In your spot checking of these, what I am developing is, would you resort to income tax examinations of them and how would you get that?

Secretary RICHARDSON. We would use income tax returns on a sample basis. These would be supplied through arrangements made by the administrators of this plan with the Internal Revenue Service.

Of course, heavy reliance would be made on the use of computers to store information. Information could be furnished automatically from the Internal Revenue Service on a request basis.

In the case of a family headed by a working male, if a State provided supplementation, it would have to finance such action on its own because the Federal Government would not be participating in the financing.

Senator WILLIAMS. Well, if it is a working female, is there a difference there? There is a State supplementation?

Secretary RICHARDSON. There could be; yes.

Senator WILLIAMS. And in that instance would the State have access to the same information and the right to spot check and examine your spot checks of these same types of returns?

Secretary RICHARDSON. Yes; in all cases of female-headed families there would have to be some arrangement with the State for Federal administration of the spot checks. That agreement would cover full access to all information.

Senator WILLIAMS. This would necessitate, as I understand, some examination or making available the tax returns of the various recipients on a spot-check basis?

Secretary RICHARDSON. Yes, sir; both.

Senator WILLIAMS. Both Federal—

Secretary RICHARDSON. Both income tax and social security contribution.

Senator WILLIAMS. The reason I mentioned that, there has been much said about the various agencies having access to tax returns, and I thought it would be well to point out in this instance this is another example where perhaps the need would arise but the tax returns would be available to both the Federal department, in the various States, and to the State agencies themselves?

Secretary RICHARDSON. I think I ought to qualify my statement. It may not be the return itself that would necessarily be available to the State. Rather, a report would be made to the State by the Internal Revenue Service.

In this way, necessary information would be provided.

Senator WILLIAMS. Yes. Earlier the Senator from Wyoming, who had to leave for another meeting, mentioned the fact that in the committee bill you had an exemption in the Revenue Code—it was on page 11 of your report—and you added the sections described in 501(c) (3) or (4) of the Internal Revenue Code, 26 U.S.C. 501(c) (3) and (4).

It was pointed out that payments from foundations would not be continued as income and that it could have the mathematical result of the example we had before the committee sometime ago where some former employees of a member of the Senate received grants from a foundation.

They were not or would not be counted and, therefore, conceivably they would be eligible under this bill for welfare payments. You indicated that you had submitted a revised version to the committee. The staff has called to my attention that they did receive these revisions from, as I understand, Mr. Veneman under the date of the 17th, but not on this point.

This same section is still in there. You may want to delete that or modify it further, because the correction is not made in the revision that you have submitted to the committee.

Secretary RICHARDSON. I will be glad to take a further look at that, Senator. The problem hasn't come directly to my attention before.

Senator WILLIAMS. The reason I mentioned it, it was called to my attention that this was an unintended benefit that we didn't think we wanted to put them on welfare, in addition, and I thought it should be mentioned that the revision did not correct it.

(The Department subsequently supplied the following information:)

**STAFF PAPER: EXCLUSION OF INCOME FROM A FOUNDATION FROM THE
FAMILY ASSISTANCE PLAN**

It is clearly necessary within the Family Assistance Plan structure to exclude from consideration as income amounts that are provided by State or local govern-

ments or by other Federal programs as a supplementary payment related to a family's subsistence needs. Otherwise, one is faced with a circular situation which is highly undesirable. For example, in the case of food stamps all income from other sources is counted in determining the amount of food stamp bonus for which a family is eligible. An undesirable result would occur if, in addition to this, the value of the food stamp bonus itself were to be counted as income. In the case of general assistance provided by the State to bring a family's income level up to a State standard the same problems exist.

Certain private, charitable organizations, including foundations, sometimes provide assistance of a similar type. For example, the Salvation Army or the American Red Cross may provide emergency aid which clearly should not be taken into account as income. The criteria, regardless of what type of non-profit source is involved, should be economic need of the individual or family. The language in the bill should attempt to distinguish between payments made because an individual or family has insufficient income from other sources to meet its subsistence needs as contrasted to grants made to permit someone to engage in a project or to do a study.

If the provisions of section 501(c) 3 or 4 of the Internal Revenue Code cover situations other than these where the primary criterion is economic need, further refinement would be desirable. We have not found an easy way to do this in terms of the Internal Revenue Code itself. It is the sort of area that could be made completely clear as to its purpose in the legislative history of the bill.

ADDITIONAL COSTS OF REVISED BILL

Senator WILLIAMS. Now, as I understand it, the revised bill, as compared to the House, projects an increase of about \$900 million over the House figure. Is that correct?

Secretary RICHARDSON. No, Senator.

I pointed out earlier that the \$900 million results from two factors. The first, an estimate for cost of providing food stamps to more people, is \$400 million. The second, the remaining \$500 million, is attributable to revisions due to rising estimates of cost of AFDC and adult category benefits.

Senator WILLIAMS. Well, according to our computations the 400 million is the increased food stamp cost. There is \$100 million in the revised bill for the aged, blind and disabled, and there is \$100 million for increased unemployment, as a result of the revised figures of unemployment, and \$300 million additional listed for payments to families.

I am wondering which of those you take exception to. They add up to a total of \$900 million difference.

Secretary RICHARDSON. The source of those increased cost estimates is very complicated, Senator. I did hope to furnish for the record at the beginning of the hearing today a memorandum which would have explained these changes, but the memo wasn't ready. I would like to ask, Mr. Chairman, with the permission of the Committee, to insert a memorandum at this point explaining the offsetting reduction involved in the cost of family coverage, which rests on data from the recent population survey. To get a clear picture of what is involved requires considerable exposition.

We have not made any revisions in the bill that add to the legislation's cost. The only added cost element is the \$400 million for food stamps, which we have proposed in order to deal with the notch problem. This change can be accomplished by administrative action.

Senator WILLIAMS. I would be glad to see any report or supplemental information you wish to get, and I would ask that it be printed at this point in the record, along with page 23 of the staff report, so that the two can perhaps be reconciled.

Secretary RICHARDSON. That would be very helpful.

Senator ANDERSON (presiding). Without objection, so ordered.

(There follows, page 23 of the staff report, and the Department's response:)

Federal Cost of H.R. 16311 in FY 1971

	<u>House Report</u>	<u>Administration Revision</u>
Payments to families	\$4.6 bil.	\$4.9 bil.
Allowance for increased unemployment	...	0.1 bil.
Payments to aged, blind, disabled	2.7 bil.	2.8 bil.
Increased food stamp costs	...	0.4 bil.
Other increased costs	<u>0.9 bil.</u>	<u>0.9 bil.</u>
TOTAL	8.2 bil.	9.1 bil.
Cost of welfare payments under present law	<u>4.5 bil.</u>	<u>5.0 bil.</u>
Net increase	3.7 bil.	4.1 bil.

DEPARTMENTAL RESPONSE

Estimates contained in the Ways and Means Committee Report on H.R. 16311 have been compared with those recently presented by the Administration to the Senate Finance Committee in connection with its suggested revisions. Unfortunately, the difference in these estimates, \$900 million, has been incorrectly construed to represent the incremental cost of the revisions over the cost of the House-passed bill. It is not possible to make direct comparisons of the two sets of figures since the more current set is based on improved and updated methodologies as well as more current data and more timely projections from the States. The following makes this more explicit.

RECONCILIATION OF PREVIOUS AND CURRENT ESTIMATES OF THE NET COSTS OF THE FAMILY ASSISTANCE PLAN

Federal costs of H.R. 16311, with the revisions suggested by the Administration, are estimated to be \$4.1 billion in excess of what the fiscal year 1971 cost would be under existing legislation.¹ This represents an increase of \$400 million over the net costs of the House-passed version. The increase results chiefly from the proposal to provide for joint administration of the food stamp program with the Family Assistance Plan. (A much higher degree of utilization can be expected if recipients can purchase food stamps from and through the same

¹ Most of the cost estimates are provided for FY 1971 rather than FY 1972, so that consistent estimates of the impact on State costs and caseloads can be presented. The State-by-State figures require projections of current program costs and caseloads from the individual States to serve as benchmarks. These projections are presently available only for FY 1971.

process as they obtain cash assistance.) Costs under H.R. 16311 as amended, and under current law are compared in the attached table.

These estimates are not directly comparable to earlier ones, especially those that have been presented for fiscal year 1968. When net costs are presented, those for different years reflect different actual (or estimated) costs under existing legislation as well as differences in what total Federal costs would be under the Family Assistance legislation. Federal costs under current legislation have shown a marked increase over the last few years and are projected to continue increasing. In contrast, costs under Family Assistance are estimated to have a much slower rate of increase. The combined effect is a decline over time in the estimated net costs of Family Assistance.

There are three additional reasons why the estimates recently submitted to the Senate Finance Committee should not be compared directly to estimates published earlier: (1) Components of the proposed Family Assistance Act have varied as it has moved through the legislative process; (2) Estimating procedures are continually being updated and improved; and (3) Estimates of the costs of welfare under present legislation have been increasing with more current reports from the States.

All of these factors are relevant in reconciling the differences between estimates appearing in the House Report and those recently presented to the Senate Finance Committee. For example, the following table compares two estimates of payments to families.

COMPARISON OF 2 ESTIMATES OF FISCAL YEAR 1971 COSTS OF PAYMENTS TO FAMILIES

(In billions of dollars)

	Estimates appearing in		
	Senate committee print	House report	Difference
Gross payments to families ¹	4.1	3.8	0.3
Adjustment for increasing unemployment.....	.1		.1
Subtotal.....	4.2	3.8	.4
30 percent matching of State supplemental.....	.8	.8	
Total Federal cost of payments to families.....	5.0	4.6	.4
Federal share of AFDC payments.....	-2.8	-2.5	-.3
Cost of payments to families attributable to H.R. 16311.....	2.2	2.1	.1

¹ Gross payments are total payments to low income families under part D.

The estimate of the *total* cost of payments to families increased by \$400 million. This increase can be attributed to the use of more current data and improved estimating procedures as described in pages 17 through 22 of the Senate Committee Print as well as certain proposed changes in the legislation although the latter are less significant in explaining cost differences. (In fact, a good part of the increase derives from the adjustment in the CPS data that is described on page 22.) The striking thing about the table, however is that the estimated *net* cost is virtually the same. This is because the projection of Federal costs of AFDC payments in FY 1971 has increased in the last months. Both the projection appearing in the House Report and its counterpart in the Senate Committee Print were taken from what were then the latest available estimates from the States.

As presently computed, estimates of gross payments to families are in no way tied to projections of AFDC and do not change as the latter are updated. In contrast, the estimated Federal share of adult category costs with the Administration's proposals do change as projections of the current program are revised. In the adult category, then, a change in the estimated *net* cost due to the Administration's proposal was more offset by applying it to a more recent—and higher—estimate of costs under current law. This is shown below.

COMPARISON OF 2 ESTIMATES OF 1971 COSTS OF PAYMENTS IN ADULT CATEGORIES
[Dollars in billions]

	Estimates appearing in		
	Senate committee print	House report	Difference
Additional cost due to proposed changes.....	\$.6	\$.7	-\$.1
Estimated cost under current law.....	2.2	2.0	.2
Total cost.....	2.8	2.7	.1

One objective of the preceding discussion has been to demonstrate that changes in estimating procedures, conversions to more current data, and the use of updated projections interact in different ways in determining the estimated net costs of H.R. 16311. But beyond this, and as indicated earlier, there have been changes in the proposed legislation which can also affect cost. Such changes can cancel each other out in terms of their cost impact. For example, H.R. 16311, as passed by the House, differs in several important ways from the Administration's original proposal, but the costs remained the same.³ This is illustrated below.

NET COST COMPARISON: INITIAL ADMINISTRATION PROPOSALS VERSUS H.R. 16311
[Dollars in billions]

	Estimated 1968 costs of		
	Initial administration proposal	H.R. 16311	Difference
Payments to families.....	\$3.0	\$2.6	-\$.4
Payments to States.....	.1	.4	.3
Increased costs of adult categories.....	.4	.5	.1
Training and day care.....	.6	.6	.....
Administration.....	.3	.3	.....
Total.....	4.4	4.4	0

Other than its proposals regarding food stamps, the revisions in H.R. 16311 suggested by the administration are far less significant than the kind of change that produces the different figures shown above. Also, the proposed revisions interact with one another so that their combined impact on costs is not simply the algebraic sum of their individual impacts taken one at a time. Still further, the changes were generally incorporated into the estimating procedures as these were being revised and updated. For these two reasons, it is not easily possible to quantify the precise extent to which the proposed revisions alone explain the differences in cost estimates.

The difference in estimated costs of H.R. 16311 between those that appeared in the House Report and those that are presently before the Senate Finance Committee have understandably caused confusion. The preceding discussion has attempted to show that no factor can alone explain the differences. A number and variety of factors must be considered including changes in data, improved estimating procedures and more current projections of current program costs, as well as changes in the proposed legislation. Only the most thorough and time consuming analysis could fully attribute the exact impact on the cost estimates to each single factor.

³ Page 43 of the House Report contains a discussion of these changes.

COMPARISON OF COSTS OF MAINTENANCE PAYMENTS, RELATED SUPPORT ACTIVITIES, AND FOOD STAMPS
UNDER CURRENT LAW AND ADMINISTRATION PROPOSALS

[In billions of dollars]

	Fiscal year 1971: Current H.R. 16311			Fiscal year 1972: Current H.R. 16311		
	Law As amended	Difference		Law As amended	Difference	
Maintenance payments:						
Payments to families:						
Direct payments.....	(1)	\$4.2		(1)	\$4.1	
Payments to States.....	(1)	.8		(1)	.9	
Subtotal.....	\$2.8	5.0	\$2.2	\$3.2	5.0	\$1.8
Payment in adult categories.....	2.2	2.8	.6	2.4	3.0	.6
Savings clause.....	(1)			(1)	.1	.1
Total maintenance payments ..	5.0	7.8	2.8	5.6	8.1	2.5
Related support activities:						
Administration.....	.3	.6	.3	.3	.6	.3
Training.....	.1	.3	.2	.1	.3	.2
Child care.....	.1	.5	.4	.1	.5	.4
Total, related support activities..	.5	1.4	.9	.5	1.4	.9
Total, maintenance payment and support activities.....	5.5	9.2	3.7	6.1	9.5	3.4
Food stamps.....	1.2	1.6	.4	1.9	2.3	.4
Grand total.....	6.7	10.8	4.1	8.0	11.8	3.8

(1) Not applicable.

Note: Food stamp costs for both current law and H.R. 16311 assume enactment of the administration's proposed food stamp legislation. Additionally, since the FY 1972 President's budget has not been prepared, estimates for training and child care are based on a level cost assumption.

"SUITABLE" EMPLOYMENT AND "ADEQUATE OPPORTUNITY"

Senator MILLER. Mr. Secretary, when your predecessor appeared before the committee, I questioned him about the "suitable employment" phrase in the bill.

I might say this may be a question that the Labor Department representative may wish to answer. I questioned him about the "suitable employment" phrase in the bill, which appears in section 448(b) of the bill.

I note the Department has modified the language of the bill so that it now prevents the family from losing benefits for refusal to accept work if such refusal is due to the fact that "the individual has the ability, based on skills or prior experience, to acquire other employment that would contribute more to his self-sufficiency, but only if the Secretary of Labor is satisfied that such employment is actually available in the community, and the individual has not been given adequate opportunity to obtain it."

I would like to have you elaborate on what would be the interpretation of the phrase "adequate opportunity" in this revised language.

Secretary RICHARDSON. As you recognize, this is a matter which would fall within the responsibility of the Secretary of Labor.

My understanding of this language is that an individual should not be declared ineligible for benefits on the basis of his refusal to work if he did not know about the job he was said to have refused. In determining whether good cause exists for refusing a job, the Secretary of Labor would in effect be determining whether the individual had had a fair chance to take the job that he was supposed to have refused. Such

a determination of sufficient opportunity, or "fair chance" would have to be made on a case-by-case basis.

Senator MILLER. Well, I think that is responsive. We are talking now about a job being available and the knowledge that it is available and a fair chance to get it?

Secretary RICHARDSON. Yes, sir.

Senator MILLER. And that would not, I would hope, envision a prolonged period of time in decision, postponements, or waiting for something better to show up?

Secretary RICHARDSON. Normally the determination of compliance with the work requirement wouldn't raise a question. The last phrase here really is designed to insure that he had a fair chance at getting the job. If, for example, there were a job 50 miles away and the individual didn't have an automobile, but a local administrator cut off his benefits on the basis of his refusal to accept employment, then the "adequate opportunity" phrase would be a basis for his appeal of the decision. The fact that there is a job available in the community and that the individual is given a fair chance to take that job would be subject to clear-cut determination.

Senator MILLER. May I say that my reaction is favorable toward this change. I was wondering if you would care to elaborate on the implication of the change and provide that for the record.

Secretary RICHARDSON. I can add this explanation right now, Senator. The reason for the change was that we wanted to tighten the work test language in the House bill that said that an individual would have good cause for refusing a job if he had demonstrated capacity through other training or employment of securing work that would better enable him to achieve self-sufficiency. Our interpretation of this language is that it would permit people with particular skills to refuse work even if no work using that skill were available. It was in order to eliminate that possibility that the new language has been suggested.

Senator MILLER. That was my main concern, and I appreciate the change.

TREATMENT OF STRIKE BENEFITS AND UNEMPLOYMENT COMPENSATION

Now, in connection with strikers, can you tell us whether strike benefits or unemployment compensation would be treated as earnings in determining eligibility?

Secretary RICHARDSON. No; they would not. Strike benefits or unemployment compensation would be treated as unearned income and thus they would reduce the basic family assistance benefit dollar for dollar, assuming all of the other conditions that we discussed earlier with Senator Hansen.

Senator MILLER. Do you mean they would not or they would be treated as earnings?

Secretary RICHARDSON. They would not be treated as earnings. They would be treated as other income and thus reduce dollar for dollar the benefit eligibility that might otherwise apply. If they were earnings, then a dollar of earnings would only reduce the family assistance eligibility by 50 cents. Since they are treated not as earnings but as other income, then the receipt of a dollar of strike benefits would reduce eligibility by a full dollar.

May I say again, we are assuming the unlikely situation in which the individual is otherwise eligible. If an individual head of a family of four, were receiving strike benefits or entitled to strike benefits at an annual rate of \$1,600, his eligibility would automatically be eliminated under the plan.

Senator MILLER. Let me make sure I understand. For example—

Secretary RICHARDSON. I mean that strike benefit at that level would eliminate any family assistance benefits.

Senator MILLER. Take the chart on page 46 of the committee print, Phoenix, Ariz. Let's say the individual involved had received \$1,000 in earnings, wages, up to the time of the strike, and then receives strike benefits of another \$1,000, or at a rate of \$1,000. Would the result over in the last column be different—

Secretary RICHARDSON. It would be different.

Senator MILLER (continuing). Than a person receiving \$2,000 in earnings?

Secretary RICHARDSON. It would be different because, you see, the benefit column starting with \$1,600 at zero, and \$1,600 at \$720, and then \$1,460 at \$1,000, and \$960 at \$2,000. If that first \$1,000 were strike benefits rather than earnings—

Senator MILLER. In the example I put to you, the first \$1,000 was wages and the second \$1,000 was strike benefits.

Secretary RICHARDSON. Right. In that example, then, the figure at which the individual would be receiving no family assistance would be lower than if his entire income were earned.

Senator MILLER. Thank you very much.

FAP BENEFITS AND COST-OF-LIVING DIFFERENCES NATIONWIDE

Now, Mr. Secretary, generally speaking, it appears that your position is that the number of people deriving benefits from welfare would increase from 12 million to 24 million, which would result in 12 percent of the national population deriving welfare benefits.

However, the picture in some States would be much worse. According to one of the tables it appears that about one out of every four citizens in the State of Kentucky would derive welfare benefits, and I have heard it estimated that in some counties the proportion might be as many as three out of four citizens of the county deriving benefits from this program. I suggest to you that this poses a problem to a number of taxpayers.

I suggest further to you that one possible reason for this apparent aggravation could be that the national standards proposed by the bill need to be refined, taking into account the differences in the cost of living by areas.

I would suppose the cost of living in some counties of Kentucky, for example, would be considerably less than the cost of living in counties in other parts of the country.

Isn't it possible to refine this so we can avoid what happens to be a very serious number of people who are receiving benefits under this program in certain areas?

Secretary RICHARDSON. I want to make several comments, Senator.

First of all, I would want to emphasize again that the proportional increases you are referring to compare people actually receiving bene-

fits under current law with the number eligible but not necessarily receiving payment under the family assistance plan. In effect that means the proportion is decreased by using less than 100 percent of the number of people entitled to benefits under existing law and a different assumption under the proposed law—that 100 percent of those eligible would receive benefits. This distorts the comparison to begin with.

Second, you made the observation that the situation looks even worse in some States where a very high proportion of people would be covered by the family assistance plan.

I am sure some people would say that it looks better in some States because these are the States in which the highest proportions of very poor people now live.

Thirdly, the plan contemplates a basic Federal minimum benefit of \$1,600 for a family of four which is very low, if that is the only source of family income. The benefit level is well below the poverty standard. It does reflect the wide variation in the costs of living between the cities of the North and other parts of the country, for example.

The plan does contemplate, therefore, State supplementation, at least in the case of female-headed families.

In the case of male-headed families who are working, the cash income is also likely to be higher. Then there are adaptations of a low Federal minimum to the local cost-of-living situation by these mechanisms of State supplementation and of local prevailing wages.

Senator MILLER. The trouble I have with your answer is I think it proceeds on this \$1,600 floor and I suggest to you that this is not very responsive to what the program covers.

I will grant you the family assistance plan is a \$1,600 item, but that isn't responsive to what is going to happen. I look not at the family assistance plan income alone but I look at the whole picture, and the whole picture, for example, shows that the total package amounts to \$4,400 in Phoenix, Ariz., where there is public housing; it amounts to \$3,300 if there is no public housing.

We are counting food stamps and public housing and medicaid. It isn't all the Federal tax dollar. I grant you some is in kind. But it is needed, and if it isn't there it is going to have to be purchased by cash or the person is going to have to do without.

It seems to me by the time we take into account and correlate these other Federal dollar programs, that this might account for the fact that we have such a high proportion of people in some counties in some States who will be deriving some benefits, and I think we ought to look at the whole package.

Secretary RICHARDSON. I agree with you we should be constantly aware of the interrelated nature of the various provisions and effects of the plan. I was addressing myself to that part of your question which dealt with the reflection of the differences in the cost of living between rural Kentucky and New York City, for example. I was pointing out simply that that difference is partially taken into account by the provisions for supplementation of the basic floor and by the differences in prevailing cash income for work in the two areas.

It has also been pointed out—

Senator MILLER. Could I interrupt you at that point? This is one of the problems, I think, that underlies Senator Harris' proposal to put some kind of a \$3,500 family assistance plan into the picture, which

completely ignores all of these other Federal type programs from which benefits are being derived.

Actually, if you look at the whole picture, we practically have Senator Harris' \$3,500 program, and if you use that I think you may avoid some problems coming up over this program. I must say that if somebody just says \$1,600 for a family of four, that sounds pretty low. But that isn't responsive to what it is, and that was one of the problems we hoped would be resolved when the department came back with these various programs to work out the very disincentive features.

Now that you have done that it seems to me we have to look at the whole picture.

I even have people say to me "Why don't we give up all of the various category programs and just write out checks in cash. It would be much simpler to let the people buy their own health insurance and buy their own food, instead of using food stamps, and pay for their own rent or public housing, because it is costing the taxpayers that much money, anyhow."

Secretary RICHARDSON. I think that there is a lot to be said for that approach, Senator. I would hope personally that the evolution of the program is in that direction. There are some practical problems in doing it in one step, but I am sure you and your colleagues would agree that it is important, in whatever judgment you reach on this legislation, to consider the program in the context of the other programs to which it relates.

Senator MILLER. Looking at it as a whole, or looking at it from the standpoint of family assistance of the plan, the bill provides for a poverty level?

Secretary RICHARDSON. Yes.

Senator MILLER. I am concerned about that because up until now it has been my understanding that the poverty level was established in two categories, at least.

One was for people living on farms and the other was for people living in the cities. And as I recall there was upward of a \$600 or \$700 differential as between those who lived on a farm and grew some of their own food and those who lived in the cities and had more expenses.

Why don't we refine this program along those lines, at least, because I would guess that if we did it would be more responsive to the poverty picture in various areas and it could possibly avoid what I regard as excessive proportions of the population deriving benefits from the overall picture, as in Kentucky.

Secretary RICHARDSON. This is an approach that should be considered, Senator. As I said earlier however this rural-urban cost-of-living difference is reflected in the State's approach to supplementation. A State does not now supplement and presumably would not supplement the family assistance program for families in rural areas where costs of living are lower, or at least, it would take into account the income equivalents. This would to some extent make an automatic adjustment consistent with the aims you are suggesting.

Senator MILLER. We are proposing national standards, and to me one of the virtues is that a family living on a farm in one State would be treated substantially the same as a family living on a farm in another State.

I would think that the Federal Government might, through its national standards, promote that equity, whereas, if we do not, I can see inequities arising.

Secretary RICHARDSON. I personally haven't had an opportunity yet to go back over the ground that was explored in arriving at the conclusion that we should use a standard benefit level for both rural and urban recipients. I should point out here the only point at which a determination on the poverty level as such applies is in establishing a maximum for Federal participation up to 30 percent of the supplement.

You wouldn't expect that in rural Southern States, for example, where the \$1,600 itself is above the present public assistance level, that there would be any State supplement, the determination of the poverty level there again has no relevance.

In New York City or Chicago, the established poverty level is the ceiling above which the Federal Government will not participate in the supplementation. It operates as a cutoff level for Federal spending.

Beyond that you are left with the decision on the determination at a Federal minimum. The \$1,600 benefit covers more people in the South and in rural areas that are very poor than it covers in any other portion of the population. The decision that this committee and the Congress must make then is whether it is in the national interest to provide income support for these people. Our conclusion was that they would all benefit in the long run by our employing this approach.

Senator MILLER. If these people are going to be receiving food stamps and medicaid, and in some cases public housing or rent supplements, I think we might arrive at a little different conclusion.

What I would like to ask you to do, if you will, and you do seem to be openminded about this, would be to give us an idea of how much it would reduce in, let's say, millions of persons the numbers of people from 24 million, if we did follow what has been the traditional approach on this poverty level determination, differentiating between rural or certainly farm dwellers and those who live in the cities.

It might give the committee some basis for making one of these difficult decisions.

Do you think you could give us some information for the record on that?

Secretary RICHARDSON. We will certainly do that, Senator. It needs to be made clear, however, that what we will be doing, in effect, is reducing by some proportionate measure the minimum cash benefit or food-stamp benefit, or both, since the poverty standard as such doesn't apply in those areas.*

Senator MILLER. That will be appreciated.
I have just two questions remaining:

INCREASED WELFARE ROLLS UNDER FAP

If I could refer you to the table on page 24 of the Finance Committee print, to table 4-B. That table shows that the number of persons in families receiving family assistance is estimated to go down from 13.1 million in 1971 to 11 million in 1976?

*The Department's response appears in appendix C, p. 1137.

Secretary RICHARDSON. Yes.

Senator MILLER. But a few lines below there it shows that the total number of persons deriving welfare benefits is projected to rise from 23.8 million in 1971 to 28.3 million by 1976.

Now, my understanding has been that one of the selling features for this bill has been that it is going to encourage movement off the welfare rolls on to the work rolls, but I am troubled when I see there is a projected rise from 23.8 million in 1971 to 28.3 million in 1976.

What accounts for that?

Secretary RICHARDSON. This is a matter of concern, Senator. The rise will be caused by the increase in the number of people who belong to families of the kind now covered under AFDC.

We will supply a detailed explanation of the increase in caseload for the record.

Senator MILLER. If you would like the time to provide that information for the record, I am not in any hurry for it, but I think it would be helpful to reconcile those figures, and I can see where that might take a few computations.*

Secretary RICHARDSON. Senator, the trend reflected is based on projected increases in the population of women and children otherwise entitled to AFDC who would be eligible for FAP supplemental payments.

Senator MILLER. I would hope that population projections wouldn't warrant almost a doubling of that figure from 8.5 to 15.3 in a matter of 5 years.

Secretary RICHARDSON. That is, of course, a projection of the trend and the curve that has been rising fairly dramatically in the last few years.

I find encouragement in the decline in the number of people receiving only family assistance plan payments which is explained earlier on page 21 of the committee print.

Senator MILLER. I take comfort from that, too, but my comfort turns into distress when I look down there and see the increase from 23.8 to 28.3 million people receiving welfare in a period of 5 years.

Secretary RICHARDSON. One figure that will increase and will not be affected by anything we do under this plan is the number of women without a husband in the home who have preschool children, and therefore, are not required to register for work. Such female-headed households with preschool children will grow, as a straight projection of population trend.

DECLINING PURCHASING POWER OF \$1,600

Senator WILLIAMS. To what extent did you take into consideration inflation, depreciated value of the \$1,600?

Secretary RICHARDSON. Increasing prices and increasing benefit levels, increasing wage levels, and so on, were considered to cancel out in determining the number of eligible families at a given time.

Senator WILLIAMS. The purchasing power of \$1,600 doesn't have anything to do with the wage level, the inflation, and I was wondering did you take this into consideration?

Secretary RICHARDSON. In the wage level?

*The Department's response appears in appendix C, p. 1138.

Senator WILLIAMS. Yes, the fact that if this is approved, perhaps the need of revision of the basic formula; did you take into consideration the change in inflation—has that been considered as a factor of future cost?

Secretary RICHARDSON. We have assumed the \$1,600 basic minimum was projected ahead without change. If it were increased, then it would change all of these estimates of cost and number of families eligible. We have not allowed otherwise for inflation. If you have inflation at current rates over this period, then in 1976, for example, \$3.8 billion isn't worth as much as \$3.8 billion is now. This is an offset that is not reflected. The fact that over time wage levels and income from employment have tended to increase faster than the population is reflected in the numbers of the top line page 21, where the families-receiving figure has gone down.

PROJECTED DECLINE IN FAP RECIPIENTS

Senator MILLER. Looking at the same line of figures, there is a drop from 1971 to 1976 of 2.1 million persons, families receiving FAP only. Is my understanding correct that this is the same rate as existed in 1959 to 1968?

Secretary RICHARDSON. Yes, it is. And these figures incorporate the most recent data from the current population survey and the March 1969 interviews projected forward to 1971.

Senator MILLER. Maybe my understanding isn't accurate, but if this reflects the same rate as for 1959 to 1968, when there was no family assistance plan, why would we use the same rate when we have a family assistance plan from 1971 to 1976 in our projections?

Secretary RICHARDSON. If this plan works the way we believe it will, the decline should be faster than this because we will have increased the number of families which get jobs with income above the level that would qualify them for assistance.

That number should go down faster than it did in the period you mentioned.

Senator MILLER. I agree it should. But you see, you run into the argument from some who say "Well, here is a decline of 13.1 to 11 million in a 5-year period, premised upon the same rate that occurred when we didn't have a family assistance plan."

"So what is the point in having a family assistance plan? If we don't have the family assistance plan, we will have the same?"

Secretary RICHARDSON. It is the conservative projection as has been pointed out earlier. We didn't have sufficient experience on which to make a projection as to how many poor families would be headed by members who were working at adequate wages and so we didn't reflect it statistically. But if everything goes according to plan, then the figures would be more favorable than shown here.

Senator MILLER. Could you give us another set of projections on that, because I recognize that we can't have something that will give us a better picture here than the family assistance plan and all of the other elements in the program work. I am hung up on the basis that as of now, granted these are conservative figures, and I appreciate that fact. It doesn't look to some people as though the family assistance

plan is going to improve over what has already gone before the period 1959 to 1968.

Secretary RICHARDSON. I see the problem, Senator. We will get together with the Department of Labor and produce a carefully qualified projection with the hope that it will be understood for what it is, an attempt to assume an optimistic result of the combination of things we are doing in the plan without having it understood as a contrived advertisement for the program.*

UNIFORM SET OF ELIGIBILITY REQUIREMENTS FOR THE VARIOUS PROGRAMS

Senator MILLER. That will be fine. In determining the eligibility for all of these programs, family assistance plan, food stamp, public housing, rent supplement, medicaid, do I understand that if we pass this legislation as it is now before us, that we are going to have the same eligibility standards running all the way through for these various programs, so that you are not going to have to have separate computations and separate determinations on eligibility for food stamps which will be different from the computations and determinations made for the family assistance plan or for medicaid or for these other programs?

Are we going to have a uniform set of determinants for these various programs?

Secretary RICHARDSON. That certainly is the objective, and the union program would be administered by the same people.

In the case of food stamps some amendments to the law that haven't yet been filed, may be necessary to achieve complete consistency, but we are working with the Department of Agriculture. We would welcome the reinforcement by this committee of this objective.

Senator MILLER. You agree that should be done?

Secretary RICHARDSON. Yes.

SECRETARIAL DISCRETION REGARDING ELIGIBILITY

Senator MILLER. In the Secretary's discretionary powers regarding eligibility, I understand that perhaps the primary determinant will be income for eligibility?

Secretary RICHARDSON. Yes.

Senator MILLER. But while that is the primary determinant, that will not exclude the Secretary from looking at resources so that some people with relatively low incomes and substantial property interests that may be unproductive property—maybe they have a lot of ranch land that is quite valuable if it were sold, but producing little or no income—that would be taken into account?

Secretary RICHARDSON. Yes, it would be taken into account, although I am not sure about the details regarding ranch land. In general there is an assets limit of \$1,500 and there is a provision in the bill for the family to dispose of assets which would then be applied toward their income thus reducing or eliminating the family assistance plan benefit.

If they had assets of substantial amounts, of course, they could not dispose of them all at once in order to qualify because you spread the proceeds of the assets over a long period of time.

*The Department's response appears in appendix C, p. 1136.

There is also an exemption of farm property. I am not clear at this point how that would apply to a ranch which, as you say, may have a capital value way out of line with the cash income it produces.

Senator MILLER. Could you provide something for the record on that point, please?

Secretary RICHARDSON. Yes, I will.

(The following information was received from the Department:)

LIMITATION ON RESOURCES—LOW INCOME PRODUCING PROPERTY

In a situation where a family owns real property of substantial value but the property produces little or no income the provisions of Section 444(a) (2) as implemented by regulations would preclude eligibility for FA payments.

Among other requirements, in order to become eligible for payment, a family must have resources of less than \$1,500. Excluded from this \$1,500 limitation by Section 444 are the home, household goods, personal effects and other property which is essential to the family's means of self-support. As to the latter, the types of property and the limitation to be placed on the amount of resources to be excluded are to be determined by regulation.

In the case of ownership of a valuable farm or ranch which is currently producing income in an amount low enough to qualify the family for FA, we would expect the regulation to preclude eligibility if the value of the asset exceeded the limit set by regulation. The reason for this is that Section 444 also provides for regulations concerning the disposition of resources in excess of the limits (either the \$1,500 set by Section 442 or that set by the regulations discussed above). Accordingly the owners of a ranch worth many thousands of dollars otherwise eligible could receive FA benefits only pending disposition of the property. Such benefits would be treated as overpayments.

Because of the variety of types of businesses and properties it would greatly complicate the bill to attempt to set specific dollar limits on excludable resources. The greater flexibility of the regulation approach would also permit prompt corrective action should the limits set by regulation prove impractical.

Senator MILLER. And on that farm question, the one reason I raised this question about uniform determinants among the various programs is that I am advised that there are some farmers in the State of North Dakota—and this could well apply in other States—but I have had this called to my attention that there are some farmers in the State of North Dakota who have had practically no income for cash purposes during the year and they have had a little income that has been offset by expenses, maybe more than offset, so they have a loss from a cash basis standpoint.

They may have \$10,000 or \$15,000 of grain inventory setting out in their bins which hasn't been reduced to cash and, nevertheless, they are still drawing food stamps.

I would trust that we wouldn't have a problem like that in the family assistance plan?

Secretary RICHARDSON. I hope not. This, of course, is one of the reasons why there does recur throughout the bill references to determinations by the Secretary for the adoption of regulations. It is hard to write statutory language to cover all of these situations.

One of these problems that has already been mentioned is that of gross income for a farm family where offsetting deductions, for example, may result in a very low net taxable income.

They may have a rather large gross income and there may be ways in which they could take care of their expenses that are deductible, so that they are fairly well off, even though their net income is very small. We have tried to anticipate that problem by one of these discretionary

clauses. This is the matter with which I was dealing yesterday when I was responding to Senator Talmadge's questions. We would like to work with the committee on it.

Senator MILLER. I might make one addition to that. There are some business people who derive benefits from net operating loss carryover deductions, as a result of which they may end up with no net income at all for the taxable year, that is because they offset a loss in a previous year, 3 or 4 or 5 years ago against current net income, but their actual net income for the year could be substantial. Would it be your purpose to ignore the net operating loss deduction in a case like that?

Secretary RICHARDSON. No. This is another example of the kind of thing we were talking about in saying that there should be some situations in which we look at gross income in deciding eligibility.

Senator MILLER. In other words, you would consider ignoring the net operating loss deduction in looking at the actual year's picture?

Secretary RICHARDSON. Yes, sir. But, as I say, that is the kind of thing that is very hard to spell out in specific statutory terms. We would be assisted in dealing with such situations through committee report language, for example.

Senator MILLER. I certainly agree with that. My purpose was to elicit your policy on that which you would follow in drafting the regulations.

Thank you very much, Mr. Secretary.

Thank you very much, Mr. Chairman.

Senator WILLIAMS. The committee stands adjourned until 10 o'clock tomorrow.

(Thereupon, at 1:15 p.m. the hearing recessed, to reconvene tomorrow, Thursday, July 23, 1970, at 10 a.m.)

THE FAMILY ASSISTANCE ACT OF 1970

THURSDAY, JULY 23, 1970

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10:10 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long (presiding), Anderson, Talmadge, Fulbright, Byrd, Jr. (of Virginia), Williams, Bennett, Curtis, Jordan of Idaho, Fannin, and Hansen.

The CHAIRMAN. The hearing will come to order.

This morning the Secretary of Health, Education, and Welfare, the Honorable Elliot L. Richardson, is to give us a statement with regard to the social services that are planned by the administration and how they would be put into effect. So I would just suggest that you proceed in your own way, Mr. Secretary.

STATEMENT OF HON. ELLIOT L. RICHARDSON, SECRETARY OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY JOHN G. VENEMAN, UNDER SECRETARY; ROBERT PATRICELLI, DEPUTY UNDER SECRETARY; AND HOWARD A. COHEN, DEPUTY ASSISTANT SECRETARY—Resumed

Secretary RICHARDSON. Thank you very much, Mr. Chairman and members of the committee. I do have a fairly brief statement, shorter than the one I read the other day, which I would like to go through first, and then, of course, I will respond to questions.

PROPOSED SOCIAL SERVICES AMENDMENTS

I am pleased to have the opportunity to discuss with this committee a legislative proposal that seeks the same degree of fundamental reform in welfare service programs that the family assistance plan brings to income maintenance programs.

Correcting the basic causes of dependency requires more than income support alone. Income support programs must be joined with effective social services if the basic causes of dependency are to be attacked.

In our June amendment to H.R. 16311, we proposed the addition of a new title XX to the Social Security Act that would draw together all the important individual and family services now scattered throughout the act. This companion effort to the family assistance plan has been prepared and discussed with academic and professional

groups over a period of several months. It was shaped by the same systematic perspective and interagency cooperation that led to our comprehensive welfare reform proposals.

It needs to be considered as part of this legislation so that State and local welfare agencies, which are facing a massive shift in roles and resources under the family assistance plan, can, at the same time, move into a more effective service role. Family assistance provides a major opportunity for, and even demands, a concomitant reform of welfare services.

An examination of our present social services system provides grounds for both support and criticism. While we do not know enough about what we are buying with our present service dollars, we do know that many of these activities are essential to lessening dependency and protecting particularly vulnerable groups. They include:

(1) Services needed to assure the success of work, training, and employment programs—for example, day care, information, referral, and transportation;

(2) Activities to protect children from abuse or neglect:

(3) Foster care children whose natural parents are unable or unwilling to care for them adequately;

(4) Activities to protect the aged from exploitation or neglect, to provide guardianship where none is available, and to help the aged remain in their own homes when institutional care is undesired or unnecessary; and

(5) Voluntary family planning and efforts to reduce births out of wedlock.

But present social services do not effectively fulfill the needs of their clients for a series of reasons:

Social workers spend most of their effort on the investigation and paperwork associated with eligibility for cash assistance, putting services in direct competition with enforcement, stigmatizing social workers as policemen, and serving neither purpose well;

There is little accountability built into the system since the Federal Government has an open-ended commitment to provide 75-percent matching funds for whatever amounts the States wish to spend; for this and other reasons, Federal social services expenditures have gone up from less than \$275 million, in 1968, to more than \$550 million, in 1971, with great variety in scope and quality of programs among the States;

The caseworker system has overemphasized counseling activities and underemphasized the provision of hard services such as family planning and homemaker care when someone is sick; Federal support has been particularly lagging in the critical areas of foster care and adoptions where we bear less than 10 percent of the financial load;

Federal service programs have created a patchwork of overlapping efforts at the local level that are difficult, if not impossible, to coordinate—for example, a single family could effectively benefit from locally based services programs funded from more than half of 210 project grant programs and nearly all of the 50 formula grant programs supported by the Department.

In short, it would be hard to conceive of a situation more destructive of recipient trust, social worker morale, and program effectiveness.

Flowing from this analysis of the essential problems in the present system, the central themes of the individual and family services reform proposal are:

(a) Complete separation of social services from the administration of income maintenance programs;

(b) Greater emphasis on accountability of funds and program results;

(c) A significant infusion of new Federal funds for foster care and adoption services; and

(d) More effectively coordinated services, greater program flexibility for State and local executives, and increased latitude for reflecting State and local priorities.

A. SEPARATION OF SERVICES AND PAYMENTS

The first step to reform is removal of the built-in conflict of purpose. We propose to sever completely the tie between the provision of services and administration of cash assistance. This will free the social worker to provide the services that he is competent to render, and leaves the administration of income maintenance programs to people especially trained for that task. The ambiguity of the present system would be eliminated in favor of a clearly voluntary set of services.

B. ACCOUNTABILITY AND PRIORITIES

To pursue our second goal of achieving greater program accountability and emphasis in key areas, we are proposing to move to a fixed appropriation in place of the present uncontrollable Federal matching arrangement. Governors will be required to set measurable service targets against which State progress can be gaged. Periodic evaluations will be made at least every other year and the results published.

Another aspect of this effort to achieve accountability and results is concerned with redressing priorities. Special emphasis will be placed on recipients and States that need services the most. For example:

Supportive services provided in connection with work or training programs for family assistance recipients will be matched by the Federal Government at a higher rate—90 percent for supportive services compared with 75 percent for other services;

People with incomes below the poverty line will be eligible to receive free services, while those with income above the poverty line will be required to pay a fee under a sliding scale for certain services; and

States with service levels below the national average will be eligible for special equalization grants, with \$50 million authorized under the bill for the first year of this 4-year effort to raise all States toward the average service level prevailing in fiscal year 1971.

C. FOSTER CARE AND ADOPTIONS

The third component in this comprehensive services reform closes what has long been regarded as a gaping hole in Federal program coverage. We purpose a major national investment in the country's most neglected children—those in need of foster care or adoption.

Too many American children lack a healthy home environment. Through no fault of their own, they are shuttled from one foster home to another in a system that all too often cannot afford the luxury of decent standards. The Federal Government has left this responsibility largely with hard-pressed public and private agencies at the State and local levels, even though effective foster care and adoption programs more than pay their own costs in terms of lessened institutional expenses and remedial programs later on.

The administration proposes an increase in the Federal foster care and adoptions effort from an estimated \$25 million for this purpose under the child welfare service program in 1971 to \$175 million in the first full year of operation under the new program. This is part of our larger effort to expand and improve Federal programs directed toward children in the first 5 years of life, an effort which includes the \$386 million in new funds for day care under the family assistance plan and the creation of the new Office of Child Development.

The new measure will provide national standards and a Federal floor of \$300 per child for annual foster care support payments, an amount equivalent to the support offered a child in a family under the family assistance plan. To insure that total efforts to promote child welfare do not flag, the States will be required to maintain their previous spending levels for child welfare services. Finally, the Federal Government would pay 75 percent of the administration costs of foster care and other child welfare services under the proposal.

We are also proposing important strides forward in the related area of adoption services. Many children with physical or mental handicaps are hard to place with adoptive parents. To lower this barrier, we propose a special Federal program to absorb 75 percent of the added costs of medical and other remedial services for handicapped children. The amount of these expenses defrayed for adoptive parents would depend upon their income and the cost of the remedial services required by the child.

Finally, to assist the placement of children in adoptive homes, the Federal Government will support a national clearinghouse of information on adoptions. The National Adoption Information Exchange Service would bring together children needing adoption with potential adoptive parents all across the country and even establish links with similar efforts in other nations.

D. MORE COORDINATED SERVICES TAILORED TO STATE AND LOCAL NEEDS

The President's "New Federalism" emphasizes decentralization of decisionmaking and strives to give greater scope to State and local government to set their own priorities. We have tried to provide mechanisms in the proposed individual and family services program to achieve these results.

Today, the Department of Health, Education, and Welfare operates over 250 separate programs. These programs are administered by various institutions—some through the schools, some through county hospitals, some through private nonprofit agencies, and many through branches of the State and local governments. In addition to these 250 programs, there are many other human service programs operated under authority executed by the Department of

Housing and Urban Development, the Office of Economic Opportunity, and the Department of Labor. In any given community, each program is likely to be separately funded and separately administered, and it will have its own regulations and traditions.

It is small wonder that the average person does not know where to turn when he needs help. Few people know what is available in their communities and few services are available on a neighborhood level. If services are available, too often they are scattered and inaccessible to an individual who may need more than one form of help at the same time. Increasingly, these problems of overlap, information, and access are creating demands for one-stop community service centers.

This legislation is a beginning effort to encourage greater program coordination and integration. If a State wishes to prepare a consolidated plan encompassing two or more HEW programs, the Secretary would be authorized to permit the Governor to transfer up to 20 percent of the funds from one covered appropriation to another. This flexibility would be a quantum leap forward in Federal-State relations and would go a long way to permit the tailoring of our narrowly defined Federal program and appropriation categories to fit State and local needs. Transfers could not be made from open-ended appropriations, like medicaid, or be of such magnitude that they cause the recipient program to be increased by more than 50 percent. Aside from these safeguards, I believe it is high time for the Federal Government to offer tangible evidence of trust in both the integrity and priorities of elected chief executives at the State level. Continued national paternalism is neither warranted nor efficient.

Finally, a Governor would be authorized to establish a single matching share for programs under the consolidated plan. This would be a weighted average of the programs, and is not left to the discretion of the Secretary of Health, Education, and Welfare.

In addition to encouraging States to integrate related services, the proposal includes a special Government assistance program to assist State and local executives to plan and administer these services in a comprehensive manner. The effort to decentralize program decisions and to increase flexibility for State and local officials must be joined with Federal assistance to help these officials deal with their increased responsibilities. Up to \$30 million would be made available for project grants to chief executives for planning, training, evaluation, and other policy management activities that attempt to meld health, education, and welfare programs into more cohesive and effective service packages. To encourage recipients to assume the full cost of this important activity after 3 years, Federal matching will decline gradually from 75 percent to 50 percent.

Two additional sources of flexibility would be added under the proposed title XX. Rather than an elaborate list of mandated services for the States, the basic requirement of the new individual and family services is that each State provide a "reasonable balance" of services provided among States, reflecting their differing needs and priorities.

A new administrative mechanism would provide still another source of flexibility. Cities of 250,000 population or larger would be given the option of planning and administering their own services, or using the

present system (which may be operated by the State or county). If a city were permitted to operate its own service program, it would be required to do so in a manner that insures adequate services in adjacent areas and is compatible with State laws.

As I noted at the beginning of my statement, we feel that the steps outlined for welfare services are as fundamental and far reaching in their sphere as our proposals for income maintenance reform. They are closely linked and reflect the same systematic approach to recognized problems. No proposal is perfect, and no doubt this one is capable of improvement. I want to take this opportunity to reiterate my willingness to make available the full resources of my department to work with this committee in seeking whatever modifications may be desirable.

Let me conclude, Mr. Chairman, by reemphasizing the basic objectives of our services reform:

- Separation of services from administration;
- Greater accountability and attention to priority needs;
- Needed additional support for foster care and adoption services;
- and
- Increased program coordination and funding flexibility.

I believe that these goals are sound, and can be shared by the members of this committee. Thank you.

CHART PRESENTATION—COMPARISON OF INCENTIVES EMBODIED IN
H.R. 16311, H.R. 16311 WITH SUGGESTED ADMINISTRATION REVISIONS,
AND CURRENT LAW

The CHAIRMAN. Mr. Secretary, Senator Williams has been requesting that certain information be prepared in chart form and made available—assuming that there are no other changes in the law than those in the bill before us—to see how these incentives work out.

Are those charts ready so they could be put up for display here or must we work from them on paper?*

Secretary RICHARDSON. They have been prepared for display, Mr. Chairman.

The CHAIRMAN. I would suggest that we turn to them next, and then we will come back to this social services matter. Senator Williams would like to ask some questions and, perhaps, some of the rest of us would also.

Senator WILLIAMS. I would like to see them. They were compiled from four States that were used in the previous hearing. Perhaps we could have on separate panels the new charts and the old charts, that we had the previous time. Then we could see how these had been improved and what changes had been made in them. Perhaps we could understand them better.

Mr. PATRICELLI. Senator, if I understand, you suggested—

The CHAIRMAN. I would suggest that they be turned so that as many in the hearing room as possible can see it. Suppose you turn it around a little bit more parallel to the wall there. I would ask our staff to help get these charts put up in such a fashion that they could be seen by everybody in the room. I would suggest that they be put behind the committee seats, and the members of the committee can

*Charts referred to are reproduced in App. D of this volume, 1193-1198.

turn around and look at them, and we can talk about them. Let us move them up here.

Now, any Senator who wants to do so is welcome to move over to this side where he can see better what is on these charts. Otherwise he can adjust himself as best he can so that we can talk about the information that we have here.

The object of this is to see whether—if we pass this bill, and with the other proposed changes of the law that might or might not take effect or remain unchanged—would these people really have any substantial incentive to go to work or would there still be a negative incentive.

Mr. PATRICELLI. Mr. Chairman, we may have misunderstood your request. On the right is the chart that shows the family assistance plan as passed by the House, and on the left is the special chart that Senator Williams requested. If you would rather look at current law we have charts for that.

The CHAIRMAN. No. Senator Williams—

Senator WILLIAMS. That is the one you presented to the committee at the last hearings in April, is it not?

Mr. PATRICELLI. Yes, sir.

Senator WILLIAMS. I thought they would make those same comparisons.

The CHAIRMAN. What Senator Williams had in mind is—well, suppose you explain it, Senator Williams.

Senator WILLIAMS. Well, just to determine what changes the administration bill would make in the charts as presented to us at the last meeting. I think we should know those changes and then we could understand it better by comparing the same chart with the chart we used before.

Mr. PATRICELLI. To summarize, perhaps, for the committee, on the left are charts prepared assuming the version of family assistance as it would be modified by the administration, including the housing subsidies, the current food stamp program and current medicaid program and, in the case of Arizona, no medicaid.

Senator WILLIAMS. Well, I thought you were going to explain what you did here.

Mr. PATRICELLI. I can, Senator.

Senator CURTIS. May I ask a question about the second column, this one here. What housing bonus are you referring to, a rent supplement or a purchase supplement or public housing?

Mr. PATRICELLI. Under the Housing Act of 1970, the rent to income scale would apply for all of the housing subsidy programs, rent supplements, public housing, and the others. This applies, in this case, to the public housing bonus that would be available to a welfare recipient in Phoenix. But the same sliding scale technique with the same percentages would apply to public housing and other programs in other States.

Senator BENNETT. But it would not produce the same dollar figures quite.

Mr. PATRICELLI. Is that correct? Would the dollar figures be different from the rent supplements? They should be approximately the same.

Senator CURTIS. That would not be true if they purchased a home under section 235 of the Housing Act because most of those purchase subsidies run \$85 or above a month.

Mr. PATRICELLI. Let me defer to my expert.

Senator BENNETT. I spent yesterday morning in the Banking and Currency Committee discussing housing subsidies. I won't delay it further. In other words, this is rental only and not subsidies, whatever these people might have from the purchase of homes.

Mr. PATRICELLI. I believe that the dollars may be different for the purchase, although the sliding scale technique in the percentage figures would be the same for the section 235 and 236 programs.

Senator WILLIAMS. These charts will be printed in the record. But the purpose of the revision, as I understood, was to eliminate the notches and also to make a spread there for the incentive to work.

I notice that the man making \$6,000 has \$5 less in net expendable income than the man making \$5,000; is that correct under this new plan?

Mr. PATRICELLI. Well, Senator, I would point out that the left-hand chart does not include all of the elements of the administration's changes as proposed in June.

Senator WILLIAMS. Do you want to make a new chart and include all of it?

Mr. PATRICELLI. We have it.

Secretary RICHARDSON. We have that chart, Senator. You will recall—

Senator WILLIAMS. These are your own charts, and I do not want to start out contradicting the charts. If we want to recess the meeting until we get new charts, let us do that. I have had eight revisions of these charts, and I am a little impatient by it, I do not mind telling you.

All right, let us put up the third chart.

Secretary RICHARDSON. Mr. Chairman, let me explain that we have three sets of the charts that are currently available on these cards. One set of charts shows the situation that would exist under the House bill before the June revisions.

Senator WILLIAMS. That is the second chart here, is that not correct?

Secretary RICHARDSON. Yes.

The second set of charts is exemplified by the left-hand chart. That assumes that the June revisions of the family assistance plan have been incorporated in the bill, but that the other changes in related benefits, which we also recommended in order to meet the problems identified by Senator Williams in the light of the first set of charts, have not been made.

We have a third set of charts which shows all the changes, including the changes in the food stamp plan and in both medicaid and the housing bonus, that are also recommended in order to eliminate the notches.

Senator WILLIAMS. Are they recommended in this bill?

Secretary RICHARDSON. They are recommended by the administration in order to deal with the notch problem.

Senator WILLIAMS. Yes. But the point that I am making—I am not objecting to your pointing out what you plan to do next year—at the last committee meeting the chart was based on the assumption that we adopt the bill as presented, with no amendments, it became law, and

that next year Congress took no action. These charts that you presented last night or we have up here now, as I understand it, this one on the left is on the assumption that we approve the bill as presented by the administration here now, in its entirety, with no amendments and it became law, and that during the next session of Congress no action was taken to correct these other proposals.

Now, is this an accurate reflection of the effect of the enactment of this bill with no further action by the next Congress?

Secretary RICHARDSON. Yes.

Mr. PATRICELLI. With one exception. Senator, we had, at your request, kept the column on food stamps exactly the same as current law, but as the committee may know, the administration can, through administrative action—not legislative action—take the step that we proposed—change the food stamp schedule to eliminate the notch. In the middle column, showing the food stamp bonus, on the left-hand chart, there is a further change which could be taken administratively and would not require passage of independent legislation.

Senator WILLIAMS. It could be, but you have not taken action, as yet, and Congress can eliminate any of these programs, and it can be changed.

The reason I thought that the food stamps should be in, the administration requested, as I recall it, \$1 billion for food stamps this year—I am corrected, the administration requested \$600 million. The Senate raised it in committee to \$1.3 billion, and then on the floor of the Senate it was raised another \$500 million, so we are not headed in the direction of reducing the food stamp plan. That is a fact of life.

Are we correct, in that last column on the chart showing H.R. 16311 amended, assuming no additional action in the food stamp and housing programs was taken, that in Phoenix, a four-person female-headed family, would be \$4,016 of total money and in-kind, and if they earn \$1,000 they have \$4,374 if they earn \$2,000, they bring it up to \$4,706, and if they earn \$3,000 it brings it up to \$5,021. If they earn \$5,000 it would be \$5,566; but if they get a promotion and increase their earnings by another \$1,000, they lose \$5. Now, is that correct?

Mr. PATRICELLI. That is correct, Senator.

Senator WILLIAMS. That is correct?

Mr. PATRICELLI. Yes, assuming, of course, they are in public housing, which is something less than 30 percent of the female-headed families on welfare in Phoenix are receiving.

Senator WILLIAMS. That is correct, but that is the same mathematics.

The CHAIRMAN. If I might just interpose here to see if I understand this, if that family, the man and his wife go to work to try to improve their situation—

Senator BENNETT. It is female-headed, Mr. Chairman. It is only a woman in the family.

The CHAIRMAN. That is fine.

If that woman goes to work and makes \$6,000 her family is only \$1,545 better off than they would be if she did not do anything; is that what that chart says to me; is that correct?

Secretary RICHARDSON. That is right. And this, of course, is the reason why we have recommended the related changes.

I do think it is important to emphasize, Mr. Chairman, the point just touched on by Mr. Patricelli. While certainly this committee

should consider the relationship between the Family Assistance Plan and other programs, including public housing, it is important also to emphasize that nationwide only 6 percent of all the families who would be covered under the Family Assistance Plan enjoy the benefit of the public housing bonus. It is only, therefore, with respect to that 6 percent of all families that the next to the last column would apply.

In Phoenix it is—

The CHAIRMAN. That works out to be a very discriminatory bonus, does it not, Mr. Secretary, when only 6 percent of the people enjoy it?

Secretary RICHARDSON. Yes, it does; and I think it also underscores the point that it is difficult, in trying to reform the welfare system, to reform also all the other programs which provide some sort of benefit to poor people. I think Senator Williams has certainly performed a service in focusing attention on this problem. At the same time, however, I think it is also important for this committee to keep in view the priority objective of taking the measures to reform the welfare system that are embodied in the administration bill.

Senator WILLIAMS. I might say, Mr. Richardson, that I am one who has long advocated a revision and improvement in our welfare system. I am certainly strongly in favor of an incentive to work. I just wanted to see to what extent we do have incentives. But even if you leave aside the public housing, which you say applies to about 18 to 20 percent, in that area, this same family in Arizona, if they make \$2,000, had \$4,706, but if they worked three times as hard, and increase their earnings to \$6,000, for that \$4,000 they end up only \$855 better off. So why would they earn that \$4,000? There is a question in my mind, is that the proper incentive, and I refer to your own statement in that connection appearing on page 19 during your confirmation hearings. I asked this question:

Senator WILLIAMS. On the question of registering for work and the work incentive program in order to function properly and be effective, what would be the minimum percentage that a man would have to be able to keep of that which he earned in order to be a real work incentive. I am speaking of the family plan or any supplemental plan. As it begins to work and expands to capacity, what percentage would you say would be the minimum that he would have to keep in order to make a real incentive program for the worker?

Mr. RICHARDSON. I am not sure of this. I would think, say, half.

Senator WILLIAMS. Do you think he would have to keep at least half of it in order for it to be a real incentive?

Mr. RICHARDSON. That is certainly my reaction to the issue.

Now, perhaps, the 50 percent is no figure with any magic in it, it has no magic in it. But I just think myself there has to be a real incentive, and I am wondering if this chart, and this plan, has the incentive that we need.

In the last column, if you have a man earning \$5,000, and his boss wants to promote him \$1,000, he had better spit in the eye of the boss and get a demotion because if he gets a promotion he loses \$5.

I am just as anxious as you are to get this corrected, but we do not correct it unless we face up to the realities of the problem. That is the point that I am trying to make.

Secretary RICHARDSON. I think you have performed, as I said earlier, a valuable service in calling attention to these problems and the interrelationship among these programs. But I do think a couple of things need to be emphasized. One is that where money income

from wages is concerned, we have provided for a 50-percent rate of retention up to the poverty line in the case of a male-headed family.

Now, the problem, of course, is that if you were to try to add in also other benefits in kind, food stamps, housing, medical care, and so on, and apply a similar 50-percent retention rate to all of these benefits, too, you would develop an extremely expensive program.

We have calculated, for example, that with a 35-percent reduction rate applied to cash family assistance benefits, you would be producing a break-even point of somewhere above \$5,000. This would add on the order of three and a half to four billion dollars in additional costs.

Senator WILLIAMS. Well, perhaps, you had not taken that into consideration when you were testifying at your confirmation and recommended a half.

Secretary RICHARDSON. Senator, I was addressing myself to cash income at that time.

Senator WILLIAMS. I see.

Secretary RICHARDSON. Because I think there are distinctions which apply as between cash income and these other in-kind benefits that have been identified on the chart.

In the first place, although Arizona does not have medicaid, medicaid—in the States where it does apply—pays doctors and hospitals for medical care. It does not provide cash to the family and is not considered by a family ordinarily to be part of their income.

The problem has been that most poor families have done without medical care except where it has been paid for publicly. There is not really, then, a direct relationship between the cost of medical care paid to vendors and a sense of incentive on the part of the individual and the family, which is true of his cash income.

The same is true of food stamps. People do not think of food stamps as worth dollar for dollar the money that they get in their paycheck.

I would stand on the proposition that from the point of view of retaining a share of money wages, 50 percent is an appropriate share. It would improve the incentives in this program overall to be able to apply an aggregate 50-percent retention rate. But the problem in doing that, as well for all these other programs, is that it becomes exceedingly expensive.

The CHAIRMAN. Now, Mr. Secretary—

Secretary RICHARDSON. Lest I confuse the record, let me state that the figure I used of a \$5,000 break-even level, with a 35-percent reduction rate costing \$3 to \$4 billion, applies only to family assistance benefits. What I have here is a chart with a tabulation that shows a reduction of the retention rate as applied to money income, which you might adopt in order to offset the problem that Senator Williams has identified, and thus increase the incentive.

For example, if you dropped the rate on money income from 50 percent to 30 percent, thus, in effect, steepening the incentive line for the family, the break-even point—that is, the point at which there was no further Government supplement of family income—would be \$6,050, and this would add \$6 or \$7 billion to the aggregate costs of the program, and it would add 3,200,000 families to the program.

It is inevitable, therefore, within the limitation of reasonable cost, that there be some compromise between incentives and the numbers of families covered, and therefore costs. It is a question of judgment where you strike this balance.

I do think that the committee now has, as a result of these questions that Senator Williams has raised and the charts you have, a very clear layout of what the nature of the problem is.

The CHAIRMAN. Well, Mr. Secretary, it seems to me that fundamental to your problem here is the fact that you are paying \$238 a month—and that is leaving out public housing—under those charts to an able-bodied female for doing zero. In other words, if she does not do anything, does not slap a fly in her own house, why, she gets \$238 a month. So from that point forward your incentives all break down.

It seems to me as though if you start out by separating those who can work and can be expected to, to do something for themselves, and provide them with a benefit based on work, then your incentives become much more meaningful as you move up your chart.

But when you put that big bonus for doing nothing or for engaging in a life of crime because, after all, they can keep all that, they pay no taxes on it, and they don't report it, then all your incentives for working break down.

Secretary RICHARDSON. This is why, Mr. Chairman, as I emphasized yesterday, the program needs to be looked at as a whole.

While it does incorporate a degree of incentive in terms of retaining half of cash income, that incentive is coupled with other measures that are also designed to encourage people to work and get off the welfare rolls. These include, as you know, a registration requirement for work, with the exceptions specified; the availability of training to qualify the registered individuals for work or to upgrade the skills of the working father; the provision of day care services to take care of the children of the working mother; and the provision of a penalty for a registered individual for whom a job is made available and who refuses to take it.

We really need to look at the combination of these things, the combination of the carrot and the stick, together with the assistance in finding work, that are all part of the program.

The CHAIRMAN. Yes. But the point we have been talking about here since the day you appeared before this committee on this matter, has been that the incentive is so inadequate that it achieves little or nothing. When you are talking about the stick part of it, if you are going to let the Labor Department handle this program the way they handled the work incentive program in New York forget the stick. There are not any of these mothers—virtually none is an appropriate case to be referred to go to work in New York. So who must work? Nobody.

Secretary RICHARDSON. Well, Mr. Chairman, one brief point on the New York WIN program. I think it should be pointed out that there the female head of the family does not even get to the Labor Department to take advantage of its efforts to help her find a job unless she is referred by the New York Welfare Department. Under family assistance she would be required to register if she had no preschool children in the home.

But, secondly, I would submit to the committee that we have a problem to be solved, which embraces: (1) the inadequacies and inequities of the existing system; (2) the proposition that it is desirable to assist and to encourage able-bodied individuals on welfare to work; (3) the idea that it is desirable in order to do this to provide training, day care, and other related services; (4) the fact that we want to accomplish these things within reasonable limits of costs.

Now, given those ingredients, the question then is what do you do? What I tried to emphasize throughout my testimony is that the plan that is before your committee represents a conscious, conscientious effort to solve these problems.

We are here to participate with and to assist this committee in coming up with, if it can, a better solution. The ingredients of the problem are real; they are out there; they are not made up by this administration. We cannot manufacture the money to pay for a program that would have a substantially steeper work incentive built in.

The question is, then, given limitations on what is reasonable to add to the existing costs of public welfare, given the problems inherent in the situations of the families to be assisted, given the other problems that we have to factor into the ultimate solution, how best can we do it. And what we have before you, as I said, is our own best effort. It includes our best efforts to cope with the problems in related in-kind programs, which were identified in the hearings beginning April 29 as a result of the charts which Senator Williams had asked us to prepare.

You cannot solve these problems without dealing with those related programs. While it is true, as Senator Williams said, that the bill before you is a welfare bill, that fact in itself is no reason why the committee should wait until it also has, or can acquire, jurisdiction over bills affecting agriculture and housing as well.

We in the administration will push to get the necessary amendments in these other programs, and to the extent it can be done administratively, as in the case of food stamps, we will do it administratively.

The question is then how best to reform the welfare system. We have given you our best response to that problem. If the committee can, in its wisdom, come up with improvements in this or a better solution we would be the first, one, to cooperate and, two, to applaud.

Senator WILLIAMS. Mr. Secretary, it has been my position that you cannot correct a problem until you recognize it, and I would like to get on with the charts. I think once we understand the problem, we all have the same objectives and, perhaps, we can get together and solve it. But we cannot do it by just flowery explanations.

Now, as I understand it, in the bill from the House a man with \$3,000, including public housing—and I will ask Mr. Patricelli what would he get for a \$3,000 income under that chart in the House bill total.*

Mr. PATRICELLI. \$5,079.

Senator WILLIAMS. What would the man get if he increased his earning capacity to \$6,000 under the House bill?

Mr. PATRICELLI. Under the House bill, \$5,671.

Senator WILLIAMS. That is an increase of \$592.

*This chart referred to by Senator Williams is reproduced as the first chart on p. 1187.

CHART No. 1

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILY IN PHOENIX, ARIZ.

Earnings	FAP ¹ benefit	State ² supplement	Total gross money income	Total new money income	Total net money and food	Total August Medicaid payment to AFDC family	Total net money in kind	Housing bonus to family under proposed 1970 AFDC Housing Act ³	Total net money and in kind
.....	\$1,600	\$608	\$2,208	\$2,208	\$2,898	(0)	\$2,898	\$1,118	\$4,016
720.....	1,600	608	2,928	2,891	3,371	(0)	3,371	974	4,345
1,000.....	1,460	613	3,073	3,021	3,429	(0)	3,429	945	4,374
2,000.....	960	653	3,613	3,509	3,869	(0)	3,869	837	4,706
3,000.....	460	694	4,154	3,998	4,310	(0)	4,310	711	5,061
4,000.....		707	4,707	4,461	4,749	(0)	4,749	573	5,322
5,000.....		313	5,313	4,856	5,144	(0)	5,144	422	5,355
6,000.....			6,000	5,311	5,311	(0)	5,311	250	5,561
7,000.....			7,000	6,056	6,056	(0)	6,056		6,059

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the first 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes. House passed provisions of calculating State payments apply (sec. 452). State supplementary grants in New York and Chicago are based on States reported general maximum rent allotment.

³ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the first \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20 to 25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program, subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4-person families. The private annual gross rents assumed are as follows: Phoenix, \$1,500; Wilmington, \$1,020; Chicago, \$1,920; New York City, \$1,680.

⁴ Assumes 2-bedroom unit (includes public housing which will be available to only 6 percent of family assistance families nationwide), current law food and Medicaid, H.R. 16311, amended.

⁵ No Medicaid program.

Senator WILLIAMS. Under the administration plan over here, chart No. 1, take the same example, the same family, and that is assuming we pass the bill as it is and as it is presented, including the housing provisions of this bill as it is and no further action taken, what would the man earning \$3,000 have under this bill?

Mr. PATRICELLI. \$5,051, sir.

Senator WILLIAMS. What would he have under this bill if he doubled his earnings to \$6,000?

Mr. PATRICELLI. \$5,561.

Senator WILLIAMS. Or an increase of \$510.

Now, over on the right, the third column, the third chart, now this is, I understand it is, the administration plan, the bill that is now before us, coupled with the proposals that the administration expects—

Senator BENNETT. This is current law.

Senator WILLIAMS. Is that current law?

Mr. PATRICELLI. We have here the full administration proposal behind it and current law—

Senator WILLIAMS. I cannot read very well behind it. I think we know what the current law is, and we all accept the fact that the current law needs to be changed.

Under the proposal, what would the man with \$3,000 have?

Mr. PATRICELLI. \$5,051, Senator.

Senator WILLIAMS. \$5,051.

What would the \$6,000 man have?

Mr. PATRICELLI. \$5,561.

Senator BENNETT. That is unchanged.

Senator WILLIAMS. As I understand it then, under the House bill a man doubling his wages from \$3,000 to \$6,000 would have an expendable income, including housing, of \$592 increase out of the \$3,000. Under the administration bill which is before us, if we accept it as it is, that would be reduced to \$510. Under the proposed plan for next year's action by Congress, if Congress accepts the administration's recommendation in its entirety as you plan to offer it, which we do not understand yet but you do, and with the food stamp plan which you are going to put into effect administratively, that would be \$510 out of the \$3,000.

Mr. PATRICELLI. May I make one comment, Senator?

Senator WILLIAMS. Sir?

Mr. PATRICELLI. May I make one comment?

Senator WILLIAMS. Make all the comments you wish because we want to make it clear.

Mr. PATRICELLI. The critical thing is that we are making progress. When you look at current law in this regard you see the jump between \$3,000 and \$6,000 is even less than under any of the proposals. Under current law, the notch problem is greater than under the partially adopted administration program. So we are making progress.

Senator WILLIAMS. We recognize that the current law needs changing. But if I have a bad tire, and I go to a place to change it, and he has another bad tire but it is a little better than my bad tire, I still have a bad situation. I want to be sure we are correcting this as we do it, I am just trying to get the picture.

Let us move on to the next.

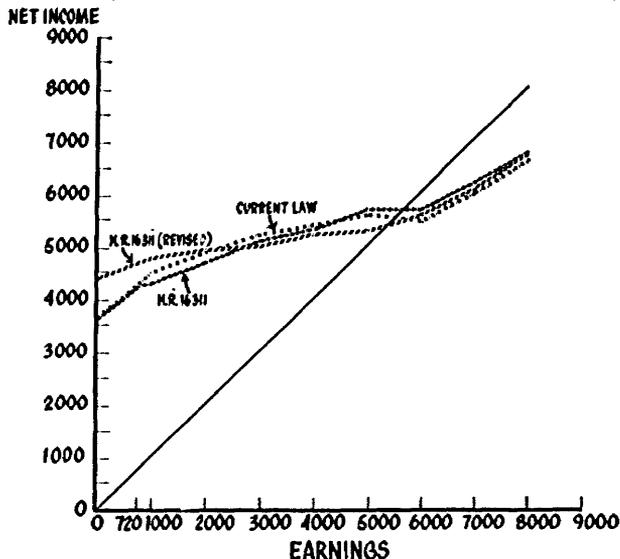
Mr. PATRICELLI. The committee may find it easier—we had a little difficulty in comparing all these columns—to see a graphical representation of what we have done. It is a little easier to look at it this way.

(The graphs referred to follow:)

INCLUDES NET CASH (earnings, YAP, and State supplements, less taxes),
FOOD, HOUSING, AND MEDICAL BENEFITS

PHOENIX, ARIZONA

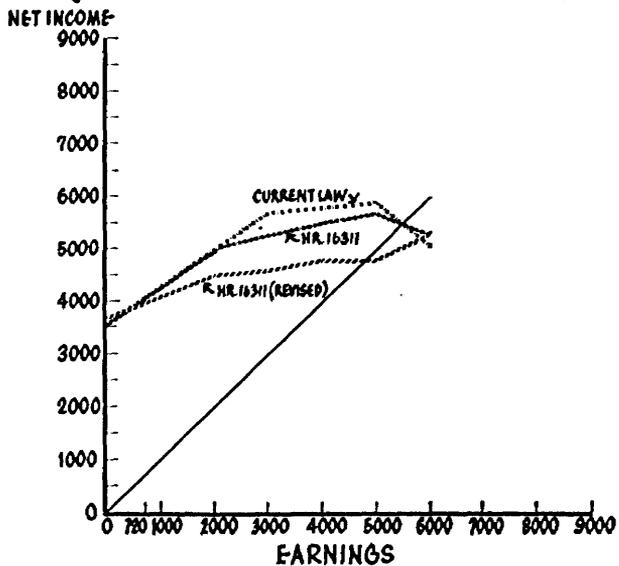
(INCLUDING PUBLIC HOUSING BONUS)



INCLUDES NET CASH (earnings, YAP and State supplements, less taxes),
FOOD HOUSING, AND MEDICAL BENEFITS

WILMINGTON, DELAWARE

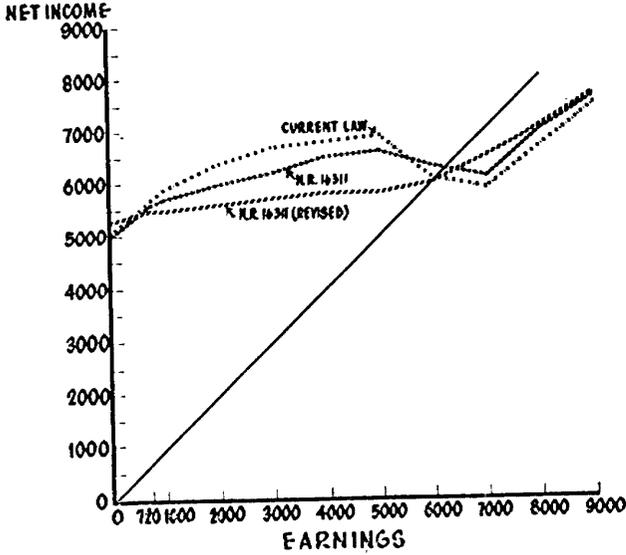
(INCLUDING PUBLIC HOUSING BONUS)



INCLUDES NET CASH (earnings, FAP, and State supplements, less taxes),
FOOD, HOUSING AND MEDICAL BENEFITS

CHICAGO, ILLINOIS

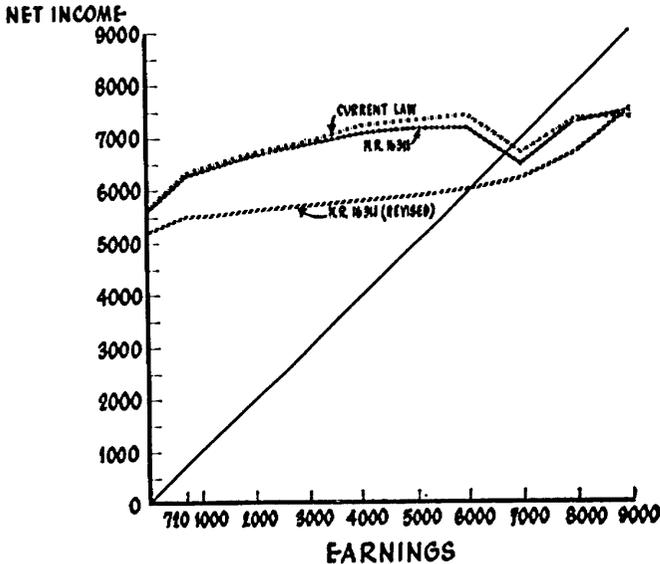
(INCLUDING PUBLIC HOUSING BONUS)



INCLUDES NET CASH (earnings, FAP State supplements, less taxes),
FOOD, HOUSING, AND MEDICAL BENEFITS

NEW YORK, NEW YORK

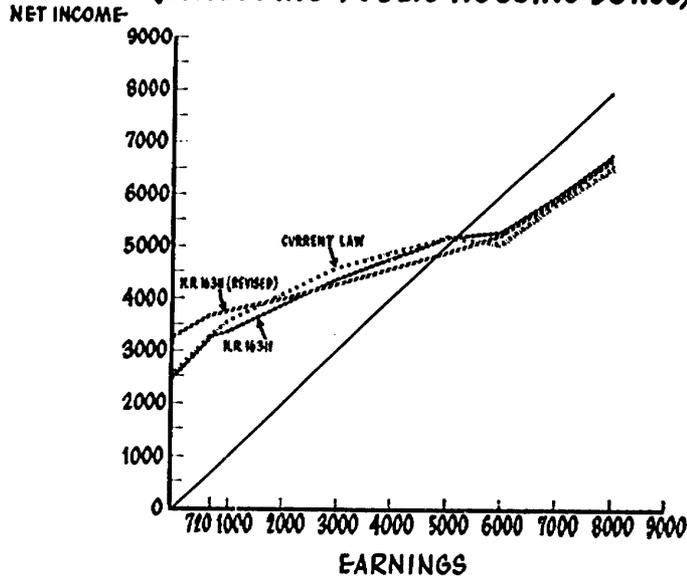
(INCLUDING PUBLIC HOUSING BONUS)



INCLUDES NET CASH (earnings, FAP, State supplements, less taxes),
FOOD, AND MEDICAL BENEFITS

PHOENIX, ARIZONA

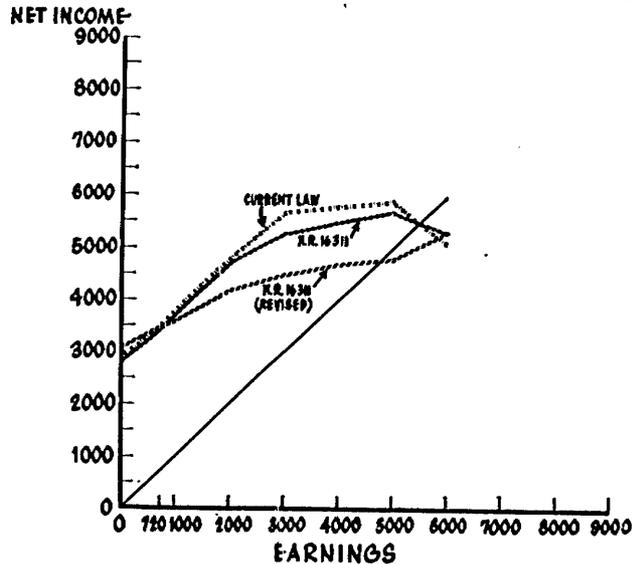
(EXCLUDING PUBLIC HOUSING BONUS)



INCLUDES NET CASH (earnings, FAP, State supplements, less taxes),
FOOD, AND MEDICAL BENEFITS

WILMINGTON, DELAWARE

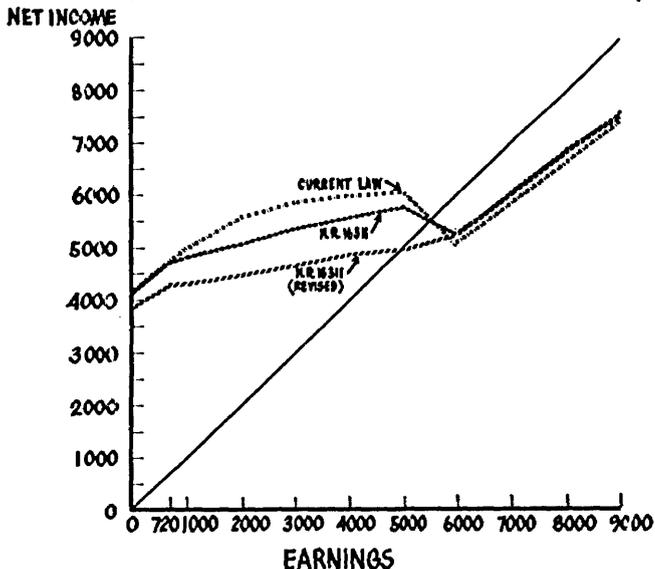
(EXCLUDING PUBLIC HOUSING BONUS)



INCLUDES NET CASH (earnings, FAP, State supplements, less taxes),
FOOD, AND MEDICAL BENEFITS

CHICAGO, ILLINOIS

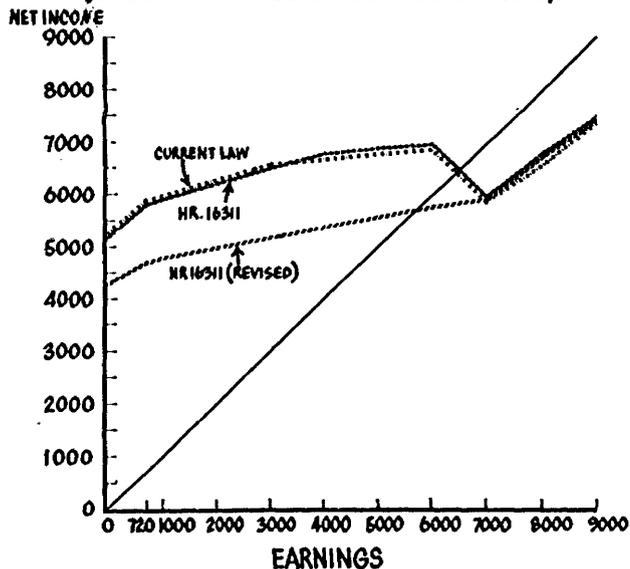
(EXCLUDING PUBLIC HOUSING BONUS)



INCLUDES NET CASH (earnings, FAP, State supplements, less taxes),
FOOD, AND MEDICAL BENEFITS

NEW YORK, NEW YORK

(EXCLUDING PUBLIC HOUSING BONUS)



Mr. PATRICELLI. The lines show current law, House bill, and the administration's latest revision, and, as this shows, what we have done is to take out this area of notch or work disincentive, by drawing a line in a constantly increasing curve. As the Secretary has said before, the consequence of taking out the notch is to somewhat flatten the total pitch, and that is the choice that has to be made—whether you prefer a higher work incentive along some portion of the curve but a real notch somewhere, or a steadily but slightly less upward climbing curve.

Senator WILLIAMS. I am not claiming that the administration bill does not eliminate some of the notches, but I am just trying to get the statistical results. The average welfare recipient is not interested in notches and charts. He is interested in what he has to spend, and that is what we are trying to get the answer on.

Secretary RICHARDSON. Senator, may I just interject one point regarding what the recipient has to spend. If we had another column on the chart—the chart underneath, chart 9, which reflects all the administration recommendations—and if we were to stop with the column headed “Proposed schedule of food stamp bonus,” and add the food stamps to the cash income without considering any medical insurance bonus or public housing, you would then have rather a good income picture.

For example, at the \$3,000 income line, the family's aggregate income is \$4,025, and at the \$6,000 line it is \$5,311, which is a fairly substantial range and considerably more than it looks like in the right-hand column.

(The chart referred to follows:)

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILY IN PHOENIX, ARIZ.—ADMINISTRATION'S JUNE REVISIONS

Earnings	FAP benefit	State supplement	Total gross money, income	Federal, State, and social security taxes	Total net money, income	Total net money, food	Total net money, and in kind	Housing bonus to family under proposed 1970 Housing Act ¹	Total net money, and in kind
0.....	\$1,600	\$608	\$2,208	.....	\$2,208	\$2,854	\$3,324	\$1,118	\$4,442
\$720.....	1,600	608	2,928	\$37	2,891	3,308	3,742	974	4,716
\$1,000.....	1,460	613	3,073	52	3,021	3,392	3,815	945	4,760
\$2,000.....	960	653	3,613	104	3,509	3,708	4,077	837	4,914
\$3,000.....	460	694	4,154	156	3,998	4,025	4,340	711	5,051
\$4,000.....	.....	707	4,707	246	4,461	4,461	4,689	573	5,262
\$5,000.....	.....	313	5,313	457	4,856	4,856	4,933	422	5,355
\$6,000.....	.....	.....	6,000	689	5,311	5,311	5,311	250	5,561
\$7,000.....	.....	.....	7,000	944	6,056	6,056	6,056	.....	6,056

¹ Assumes 2-bedroom unit; Includes public housing which will be available to only 6 percent of family assistance families nationwide.

Senator WILLIAMS. I admit that you could take hypothetical ifs, and if the moon were made out of cheese we could give them free cheese. But these are your charts, and that is what we are talking about.

Secretary RICHARDSON. I do not think it is as unrealistic as supposing that the moon is made out of cheese to point out that, one, it is the exceptional family which has a housing bonus at all and, two, that families do not tend to regard medical care that is paid for them in a hospital as part of their income. So that from the point

of view of cash incentives, the figures I just gave could well be said to be more realistic than the right-hand column.

Senator WILLIAMS. Well, there is no question about cash money.

The CHAIRMAN. Are there any further questions the Senators care to ask about these charts?

Senator FULBRIGHT. What is the significance of always having the female-headed family? Why don't you have the male-headed family?

Senator WILLIAMS. I do not know. This is the way they were presented first, and if it would make any difference—

Senator FULBRIGHT. Are more of them female headed than male on relief?

Senator CURTIS. I think I can answer that. The present program is primarily AFDC. It used to be called ADC, and it originated for a mother and her children as a unit and that is where this originated, I believe.

Senator FULBRIGHT. Well, statistically are there more of them with female than male that enjoy these programs?

Secretary RICHARDSON. Senator, in most States today, including Arizona, there are no income maintenance benefits available to a family headed by a male—certainly not full-time working male, whatever his earnings may be. The administration program would provide only the basic family assistance plan benefit, up to \$1,600 for a family of four, for male-headed families, and would not require the State to supplement these payments where the head of the family is working full time.

The set of problems that most sharply exhibits the work incentive questions that Senator Williams has raised is better illustrated by the case of the family that is entitled to welfare benefits under existing State law, and that would therefore also probably have income supplementation above the basic family assistance benefit.

Mr. PATRICELLI. If this would be the appropriate time, we have a chart which shows what happens to male-headed families under these proposals.*

Senator HANSEN. Mr. Chairman, if it would not be inappropriate, I would just like to make this observation. The Secretary has done an extremely good job, I think, in portraying the end results that will come about under present law, that would come about under the House-passed bill, that could be achieved if all of the recommendations that now have been made and others which may be contemplated by the administration were to be put into effect.

In response to the question as to the incentive that is provided, and comparing the actual rise in cash earnings with the rather small residue that is left with the application of this, I have forgotten the words that the Secretary used, the income tax or the tax that would apply which, I think, roughly in the case of the example cited by the Senator from Delaware, was one in four. I think of a \$6,000 rise in income, only \$1,500 was kept; the Secretary made the observation, as I recall, that a greater incentive could have been put into effect and could have been spelled out by administration proposals, but one of the reasons why that was not done was that it would be much more costly.

*Tables 17-28 app. D, p. 1234ff. show combined benefits under selected income-tested programs for male-headed families in 4 cities, using (1) current law, (2) Administration's June Revisions of Family Assistance, and (3) Amended Family Assistance and housing with current law food and Medicaid programs.

I simply want to observe that this program is a far more costly program than the program we have now. It contemplates an additional expenditure of some \$4 billion or more in excess over present law.

It contemplates bringing into the welfare rolls 14 million additional more people over the 10 million we now have, so it seems to me that it really is not demanding too much to express the hope that we might have a little better end result achieved than seemingly has been accomplished by these proposals, because we are not talking about some minor changes but what, at least in the minds of some people, are very major changes.

They contemplate more than doubling the rolls. They contemplate by 1976 we will have in excess of 28 million people on welfare, and it contemplates an expenditure of sums of money far in excess of those we now have before us; is this not right?

The CHAIRMAN. So far as I know, I think it is.

But one thing that is very important that is not shown by these charts. Before we conclude our analysis of this matter, we should know what happens if papa comes home. Of course, let us face it, most of these families here do have a male somewhere, working or not as the case may be, who is the father of those children. At present, if papa comes home the family goes off welfare because there is an able-bodied person who is the head of that family capable of working for a living. In many instances, in most instances, he is working now and simply not claiming those children, and the argument is, well, he benefits his family because he does not admit he is the father of these children nor that he is available to work.

But now, before we are through with this, we ought to show what happens if the father comes back and admits that he is a father available to help.

Senator WILLIAMS. In order to get to that—

Mr. PATRICELLI. We can show that graphically.

The CHAIRMAN. And that may well, I would think that would, help strengthen your case for this bill.

Senator WILLIAMS. I would suggest that we have had a low-income State, and the States that we compared before were Arizona, Delaware, and then we had Chicago, and New York. I am going to suggest that we take New York next, which is a high-income State, and then maybe we can understand them better.

Before you leave this, I am going to ask, Mr. Chairman, that there be put in the record at this time the analysis of the House bill as it was presented to the committee in April appearing on page 372 of the committee hearings (Insert A), the analysis of the House bill as it is presented to us today (Insert B), which is the second chart here, the analysis of the administration's revised bill, which would be the chart to the left here (Insert C), and then include the chart over on the right which would be the analysis of what the administration would hope to accomplish with the enactment of this bill, plus the enactment of two or three other suggestions at the next session of the Congress (Insert D), and all of those related to Phoenix, Ariz., appear at this point in the record consecutively, and I won't go into it now because I am sure that they will be explained. But there is some variation in the analysis of the House bill in the two different States.

(The documents follow in the order requested by Senator Williams:)

INSERT A

[Excerpts from page 372 of the May 1, 1970 Committee hearings referred to by Senator Williams]

TABLE 1.—COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS, FOR A 4-PERSON, FEMALE-HEADED FAMILY IN PHOENIX, ARIZ.¹

Earnings	FAP benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ⁵	Food stamp bonus or surplus commodity value ⁶	Average medical vendor payment per AFDC family ⁷	Public housing bonus ⁸	Total income: money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0	\$1,600	\$404	\$2,004				\$441	(?)	\$1,176	\$3,621	
\$720	1,600	404	2,724			\$37	441		1,176	4,304	5
\$1,000	1,460	357	2,817			52	441		1,176	4,382	72
\$2,000	960	190	3,150			104	441		1,104	4,591	79
\$3,000	460	23	3,483			156	441		1,032	4,800	79
\$3,140 (State break-even)	390		3,530			163	441		1,032	4,840	71
\$3,920 (FAP break-even)			3,920	\$17		204			948	4,647	125
\$4,000			4,000	28		208			936	4,700	34
\$5,250			5,250	212	\$18	273				4,747	96

¹ A woman with 3 minor children where State pays \$2,004 to a family with no other income.² Calculated according to the family assistance State supplementary formula, but assuming exercise of secretarial discretion to hold reduction rate to 67 percent, as authorized in sec. 452(b)(2).³ Federal income tax calculated on the basis of the tax provisions in effect in 1972, assuming no surcharge.⁴ Current State tax schedule.⁵ Social security tax of 5.2 percent will be in effect Jan. 1, 1971.⁶ Arizona has no food stamp program, but has a surplus commodity program with an income eligibility ceiling of \$3,072 for a family of 4 with no earnings and \$3,552 for a similar family with earnings. Not all eligible families participate in the commodities program. Such families' benefits and cumulative reduction rates would be lower.⁷ Arizona has no title XIX program.⁸ Public housing bonus is the public housing agency estimate of comparable private market rental (\$1,680 yearly) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day-care costs, health-related expenses, earnings of minors, or any other deductions allowed. Maximum admission limit is \$4,200 accountable income; for continued occupancy \$5,250. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. Precise figures unavailable for Phoenix, Ariz., of number of AFDC recipients living in public housing.

INSERT B

Selected Income-Tested Programs for a 4-Person Female-Headed Family in PHOENIX, ARIZ.

5

EARNINGS	FAP BENEFIT	STATE ¹ SUPPLEMENT	TOTAL MONEY INCOME	FEDERAL ² INCOME TAX	STATE ³ INCOME TAX	SOCIAL ⁴ SECURITY TAX	SURPLUS ⁵ COMMODITY VALUE	AVERAGE ⁶ MEDICAID PAYMENT PER AFDC FAMILY	CURRENT ⁷ PUBLIC HOUSING BONUS	TOTAL INCOME- MONEY AND RE-LEND FROM ALL SOURCES
\$ 0	\$ 1,600	\$ 608	\$ 2,208				\$ 441	NO	\$ 1,078	\$ 2,727
720	1,600	608	2,928			\$ 37	441	MEDICAID	916	4,248
1,000	1,460	613	3,073			52	441	PROGRAM	884	4,346
2,000	960	653	3,613			104	441		762	4,712
3,000	460	694	4,154			156	441		640	5,079
4,000		707	4,707	\$ 28	\$ 13	208	441		516	5,415
5,000		313	5,313	172	28	260	441		380	5,674
6,000			6,000	336	41	312			360	5,671
7,000			7,000	516	64	364			160	6,216
8,000			8,000	676	89	416				6,819

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¹ Based on current State payment levels and practices for a female-headed AFDC family of 4 with House-passed provisions of sec. 452, and no deduction for Federal income taxes: Arizona—\$2,208 maximum for a family with no other income (69 percent of need standard of \$3,192). Delaware—\$1,788 maximum for a family with no other income (need standard of \$2,832). Payment is deficit or legislative maximum, whichever is less. Illinois—\$3,156 (100 percent of need standard) for a family with no other income. The payment is adjusted to include rent as paid to a public housing authority in Chicago (\$70 a month) for a typical unit. New York—\$3,756 (100 percent of need standard) for a family with no other income. The payment is adjusted to include rent as paid to a public housing authority in New York City (\$90 a month) for a typical unit.

² Federal income tax calculated on the basis of the tax provisions in effect in 1972, assuming no surcharge.

³ Current State schedule.

⁴ Social security tax of 5.2 percent of income up to \$9,000 which will be in effect Jan. 1, 1971.

⁵ Arizona, Delaware, and New York City have surplus commodity programs. Independently of family assistance, New York City will institute a food stamp program in the fall of 1970. Food stamp bonus in Illinois is the difference between the value of the coupon allotment and the purchase price of the coupons; based on current food stamp schedules, with mandatory payroll deduction subtracted from gross income in determining purchase price and eligibility.

⁶ Arizona has no Title XIX program. Amounts shown for Delaware, Illinois, and New York include Federal and State portions of Medicaid.

⁷ Phoenix, Ariz.—Public housing bonus is the HUD estimate of comparable relocation rental (\$1,500 yearly) minus amount of public housing rent paid. Calculated for 2-bedroom unit. Precise figures unavailable for proportion of AFDC recipients in Phoenix living in public housing. Wilmington, Del.—Public housing bonus is the HUD estimate of comparable relocation rental (\$1,020 yearly) minus amount of public housing rent paid. Calculated for 2-bedroom unit. Only 29 percent of AFDC recipients in Wilmington live in public housing. Chicago, Ill.—Public housing bonus is the HUD estimate of comparable relocation rental (\$1,920 yearly) minus general maximum rent allotment of public assistance (\$90 monthly). Calculated for 2-bedroom unit. Approximately 18 percent of all AFDC recipients in Chicago live in public housing. New York, N.Y.—Public housing bonus is the HUD estimate of comparable relocation rental (\$1,680 yearly) minus general maximum rent allotment of public assistance (\$105 monthly). Calculated for 2-bedroom unit. Approximately 8 percent of all AFDC recipients in New York City live in public housing.

Note: No average Medicaid payment per AFDC family, Arizona has no title XIX program. Amounts shown for Delaware, Illinois, and New York include Federal and State portions of Medicaid.

INSERT C
H.R. 16311—AMENDED

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILIES IN PHOENIX, ARIZ.

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, and social security taxes ³	Net cash income	Current schedule, food stamp bonus ⁴	Total net cash and food	Total average medicaid payment to AFDC family ⁵	Total net money and in kind	Housing bonus to family under proposed 1970 Housing Act ^{6,7}	Total net money and in kind
\$0	\$1,600	\$608	\$2,208		\$2,208	\$690	\$2,898	(*)	\$2,898	\$1,118	\$4,016
\$720	1,600	608	2,928	\$37	2,891	480	3,371		3,371	974	4,345
\$1,000	1,460	613	3,073	52	3,021	408	3,429		3,429	945	4,374
\$2,000	960	653	3,613	104	3,509	360	3,869		3,869	837	4,706
\$3,000	460	694	4,154	156	3,998	312	4,310		4,310	711	5,021
\$4,000		707	4,707	246	4,461	288	4,749		4,749	573	5,322
\$5,000		313	5,313	457	4,856	288	5,144		5,144	422	5,566
\$6,000			6,000	689	5,311		5,311		5,311	250	5,561
\$7,000			7,000	944	6,056		6,056		6,056		6,056

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes. House-passed provisions of calculating State payments apply (sec. 452). State supplementary grants in New York and Chicago are based on State's reported general maximum rent allotment.

³ Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

⁴ Food assistance is based on present estimates that the food-stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. (New York City will commence a food-stamp program in the fall of 1970.) Food-stamp bonus is the difference between the coupon allotment and the purchase price, using the current food-stamp schedule.

⁵ Medicaid benefit shown is the total (Federal and State) average benefit for AFDC families in State. Individual families may receive higher or lower value depending on medical needs. State eligibility standards apply.

⁶ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon

fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25-percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4-person families. The private annual gross rents assumed are as follows:

	2 bedrooms
Phoenix	\$1,500
Wilmington	1,020
Chicago	1,920
New York City	1,680

⁷ Assumes 2-bedroom unit; includes public housing which will be available to only 6 percent of family assistance families nationwide.

⁸ No medicaid program.

INSERT D

ASSUMING CONGRESS WOULD ENACT CERTAIN RECOMMENDATIONS IN THE NEXT SESSION OF CONGRESS
 BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILY IN PHOENIX, ARIZ.

Earnings	FAP benefit ¹	State supplement ²	Total gross income	Federal State and Social Security taxes ³	Proposed schedule food stamp bonus ⁴	Medical insurance bonus ⁵	Total net money and in-kind	Housing bonus to family under proposed 1970 Housing Act ⁶	Total net money and in-kind
\$0	\$1,600	\$608	\$2,208		\$646	\$470	\$3,324	\$1,118	\$4,442
\$720	1,600	608	2,928	\$37	417	434	3,742	974	4,716
\$1,000	1,460	613	3,073	52	371	423	3,815	945	4,760
\$2,000	960	653	3,613	104	199	369	4,077	837	4,914
\$3,000	460	694	4,154	156	27	315	4,340	711	5,051
\$4,000		707	4,707	246		228	4,689	573	5,262
\$5,000		313	5,313	457		77	4,933	422	5,355
\$6,000			6,000	689			5,311	250	5,561
\$7,000			7,000	944			6,056		6,056

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the first 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes. House passed provisions of calculating State payments apply (sec. 452). State supplementary grants in New York and Chicago are based on States reported general maximum rent allotment.

³ Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

⁴ Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the first year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

⁵ The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600; 5 percent of that amount of gross income between \$1,600 and \$3,000; 10 percent from \$3,000 to \$4,500, and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

⁶ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the first \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20 to 25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rents assumed are as follows:

	2 bedrooms
Phoenix	\$1,500
Wilmington	1,020
Chicago	1,920
New York City	1,680

Note: Includes public housing which will be available to only 6 percent of family assistance families nationwide.

Senator WILLIAMS. Let us move on to New York next, if it is all right with the committee, because I think in a high-income State we can get a better understanding of this problem. Once we understand it, I think maybe we can get together with the administration, and, perhaps, work out a solution.

Could we have New York next?

Senator BYRD. Mr. Chairman, could I ask a question for clarification?

The CHAIRMAN. Yes.

Senator BYRD. If the committee were to approve the bill as originally—as it is before it now, as originally—submitted, as it came from the House, the chart on the left would apply; is that correct?

Mr. PATRICELLI. Assuming the administration will not do what it has the administrative authority to do.

Senator BYRD. That is right. As it came from the House, the chart on the left would apply.

Mr. PATRICELLI. The House chart is this chart, Senator. This is the version that you now have before you.

Senator BYRD. The version, if we adopt the version, now before us, the chart on the left would apply.

Mr. PATRICELLI. With the exception, of course, that we have medicaid and health insurance proposals coming and that, once again, the stamp schedule will be changed.

Senator BYRD. Now, if you adopt the administration's revised program, the chart on the right would apply; is that correct?

Mr. PATRICELLI. The full set of administration proposals is reflected on this chart.

Senator WILLIAMS. Which are expected to be submitted to the Congress next session.

Mr. PATRICELLI. All of those are before you now with the exception of the health insurance proposals.

Senator BYRD. Correct.

Am I correct in this, under the proposal on the left, the chart on the left, a person with zero income would have an income in cash and in-kind of \$4,016, whereas the chart on the right, a person with zero income would have a net income of cash and in-kind of \$4,442, which would be \$400 more, roughly.

Then if you take the chart on the left and go to the \$6,000 category, a person earning \$6,000 would then have an income of \$5,561 or roughly \$1,500 more than a person who does no work.

If you go to the chart on the right, the differential then between the person earning \$6,000 and one earning zero, the differential then drops to \$1,100; is that correct?

Mr. PATRICELLI. That is correct, Senator. While the notch once again is removed, the differential, which is shown by the pitch of the line, is slightly lessened, and that is the necessary mathematical consequence of removing this work disincentive factor here.

Senator BYRD. I just wanted to get a clear understanding.

The CHAIRMAN. Senator Bennett wishes to ask a question.

Senator BENNETT. Mr. Chairman, these charts really contain 2 kinds of figures.

The first part of the chart contains cash income or income in food stamps which can be spent as though it were cash, and the last half of the chart contains contingent benefits. If a man is not sick he gets

no benefit, or if no one in the family is sick there is no benefit, and if there are no public housing or any rent supplement buildings available that benefit is not available.

The Secretary pointed that out, and while you are putting in the record this set of charts, I suggest that you also put in the record a chart which shows the spendable benefits, which is the cash income plus the food stamps only because that is what these people really think they get.

Secretary RICHARDSON. We would be glad to do that, Senator. I think the point is very helpful.*

Mr. VENEMAN. Mr. Chairman, I think it is well to point out, too, at this point that in Phoenix, Ariz., a female-headed family of four at a \$6,000 income is off welfare. The variations that occur in the last column at the \$6,000 level are the result of the housing supplement and the increase in tax from social security, Federal and State income taxes. There is nothing in this bill that would affect a person in Phoenix, Ariz., with an income at \$6,000.

Senator BENNETT. If we put other of the charts for New York or other cities into the record, I would suggest that the chart showing the same spendable income for those situations be included.

Senator WILLIAMS. I think that would be a good idea, along with the tax which, of course, can be computed on this.

For example, in Phoenix, Ariz., a \$3,000 man has \$4,154 total gross money income; \$312 in food stamps, which makes a total of \$4,466.

He has an income tax of \$156, which leaves him \$4,310. If he earns \$6,000 he has \$689 in taxes, which leaves him \$5,311, no food stamps, he has \$1,001 out of the cash, you might say, out of the \$3,000 extra he earns.

It would be well to compute those and put them together, but that is the mathematic result. You can take that from the first chart, and I would suggest you subtract from that the taxes.

I think it should be noted here, which I do not accept because I have used the same comparison, the income taxes are projected on a 1972 level. So they are not actually as of today; They are projecting lower taxes in 1972.

Senator TALMADGE. Will the Senator yield at that point? You fail to take into consideration if he is working he has the necessary expenses of getting to and from work, which is going to decrease his income accordingly.

Senator WILLIAMS. That is true. You fail to take into consideration also if he drops off medicaid he is required either to pay for his health insurance and buy it, which is a further deduction, or he is caught without it.

Senator HANSEN. Would the Senator yield at that point?

Senator WILLIAMS. Yes, sure.

Senator HANSEN. I just wanted to observe if the thrust of this program, as I have been led to believe, is to encourage people to move off welfare and into employment so as to become self-supporting, aren't we being less than realistic if we encourage the illusion that

*The Department subsequently informed the Committee that tables 1-28, August 6, 1970 (App. D, p. 1214ff. of this volume) have columns showing gross cash income, cash income net of taxes, cash income net of taxes and Family Health Insurance contributions where applicable, and net cash and food benefits.

medical care is costless, that rent income supplements or housing supplements of one kind or another are of no significance?

It seems to me that this would continue the illusion that we are living in a make-believe world, and if we hope to give people a realistic approach and understanding of the problem, I should think we have got to contemplate for most people—and I hope it will be true, that most people are not on welfare—I should think we have got to be realistic. We have got to recognize that somebody is going to be paying for medicaid, somebody is going to be paying for medicare, they are going to be putting their tax dollars into a program that makes rent income supplements possible, that makes housing, public housing, possible, so as to incline me to conclude that we must consider those things.

Senator BENNETT. Mr. Chairman, they are in the record.

Secretary RICHARDSON. Excuse me.

Senator BENNETT. I was going to say you have the charts showing those things which are in the record. But I think the record would not be complete without showing the charts of situations where public housing is not available, where rent supplement is not available, and showing the practical situation where medicaid is not used.

Senator WILLIAMS. That would be a good suggestion, and you could take these same charts and just cut off the last three columns and you will have the answer.

Put the totals in.*

The CHAIRMAN. It is appropriate that that should be the case. But what they all add up to is this: If that mother goes to work and makes \$3,000 she cannot keep more than \$1,000 of it. That is what it adds up to there, Senator.

Senator CURTIS. In reference to column 3 on all three charts, I find State supplement, and my question is this:

Is that mandatory and if so, in that amount, or is that column an estimate? Does it represent, an estimate of what you think the States would do?

Secretary RICHARDSON. It is assumed, Senator, that the States would continue to supplement family income on the same basis as they do now under AFDC. This is part of the plan under which the Federal Government would pay 30 percent of the supplement up to the poverty line for the family.

Senator CURTIS. Is it mandatory in those amounts for the States?

Secretary RICHARDSON. No; and this is why, of course, we have the State supplements shown only for female-headed families since under the proposed plan the Federal Government would not participate in any supplementation for the families that are headed by males, whether unemployed or not. Now an unemployed father-headed family is covered in only 23 States.

Senator CURTIS. Is that State supplement necessary in order for present beneficiaries not to have to take a cut in their cash?

Secretary RICHARDSON. Yes, it would be.

*The Department subsequently informed the Committee that tables 1-28, August 6, 1970 (App. D, p. 1214ff. of this volume) have columns showing gross cash income, cash income net of taxes, cash income net of taxes and Family Health Insurance contributions where applicable and net cash and food benefits.

Senator CURTIS. Does it taper off—I notice you have it growing less—does it taper out at that point where they would not have to take a cut?

Secretary RICHARDSON. I am sorry; what, Senator?

Senator CURTIS. Where they would no longer have to take a cut.

Secretary RICHARDSON. Yes, it would, under the proposal we have made.

Senator CURTIS. For instance, here, this chart on the left, this State supplement, having no income is \$608. If they have \$5,000 income the State supplement is estimated at \$313.

Senator BENNETT. It rises, and then there is a notch, you see.

Senator CURTIS. My question is this: Is that \$313 and the \$608, are they the exact amounts, that are necessary to prevent such a recipient from taking a reduction upon the enactment of this bill?

Secretary RICHARDSON. Yes, that is correct.

Mr. VENEMAN. That is the purpose.

Senator WILLIAMS. Could we have New York?

Secretary RICHARDSON. Two points, briefly, Mr. Chairman, if I may: In response to Senator Curtis, I may not have made it clear that the administration bill would require that a State maintain its present level of supplementation in order not to reduce the income level of any given family, under the same continuing circumstances.

I should also like to call Senator Hansen's attention to pages 12 and 13 of the committee print, which briefly summarizes the general outline of the approach the administration plans to take in the area of health insurance under the bill we have promised to submit by February 15th of next year.

Senator HANSEN. Pages 12 and 13.

Secretary RICHARDSON. They are self-explanatory. They attempt to approach the problem you have identified.

Senator HANSEN. Could I ask, Mr. Secretary, referring to, I guess, all the charts are now pertaining to New York City, but I note, if I do not misread it, that the State supplement decreases from a high of \$2,156 as earnings increase down to \$459 when earnings reach the \$6,000 level. That makes sense to me.

What does not make sense to me is the situation that pertains in Phoenix, Ariz., where, if the information on my chart is correct, State supplements from earnings zero to \$720 are at the \$608 level; they increase rather than decrease when earnings reach \$1,000, going to \$613; they increase to \$653 when earnings are \$2,000; they increase further to \$694 as earnings reach \$3,000; they increase to \$707 when earnings reach \$4,000.

I would invite your observation: Does this make sense to you?

Secretary RICHARDSON. This, Senator, is the kind of problem we thought to deal with in respect to the gap between the States' standards and the actual level of the payments to a family.

What many States have done, where they actually paid less than their need standard, was to allow the family to keep income in between. The payment level and the need standard, without any reduction in assistance payments. If this practice were perpetuated under the bill, the Federal payment would be reduced because of the family's income and so the State would fill in the gap. This is the so-called "galloping

supplement" problem we tried to deal with by requiring, in effect, a flat State supplement. But this then created a problem for the 300,000 families we were talking about in the beginning, so we said, "Well, okay, in those cases we will "grandfather" them in in order to assure they do not lose benefits." The tables for Phoenix and Wilmington assume such "grandfathered" recipients.

This, in summary, is the problem. I promised yesterday to submit for the record a more detailed explanation of this situation, and the various possible ways of dealing with it, together with the reasons why we concluded that, on balance, the best way would be to grandfather in the people now on the rolls.

Senator HANSEN. Well, then, if I could, Mr. Chairman—I do not mean to monopolize the time—I gather from your testimony this morning that you would hope to bring about some standardization or at least in so far as the Federal effort is concerned; am I right in that?

Secretary RICHARDSON. Yes. We would standardize the Federal effort in any case, and for families coming on the rolls in the States in the future, the supplements would also be more standardized than they are now.

The actual levels would be set by the State, but the particular kind of problem you pointed out here would disappear in time as new people come on the rolls, under the new law.

Senator HANSEN. Then I would ask a further question, Mr. Secretary, and that is: Does the administration recognize a real difference in the cost of maintaining a home and supporting four children in, say, the northern part of Minnesota, New York, or in a cold State, which Wyoming is occasionally, and assuming the same obligations in Arizona as you attempt to standardize; in other words, do you recognize that it may be more costly to heat a home, and it may be more costly to clothe a family in some parts of United States than in others?

Secretary RICHARDSON. We do, Senator, through the assumption that where the cost of living is higher there would be a State supplement. Generally speaking, the cost of living is higher in the more industrialized States, where wage levels are higher and where State resources are greater. Generally speaking, the degree of State supplementation tends to reflect these things. In the lowest income States there would tend to be many more families receiving benefits only at the Federal minimum level, whereas in New York or Illinois and other industrialized States the State supplement would build on the Federal floor.

Senator HANSEN. Thank you, Mr. Chairman.

The CHAIRMAN. Let us see how this would work out in New York because really the Arizona program is a small program. The New York program is one of our big ones. Let us see how this one would work out in New York.

Senator WILLIAMS. So that we could get it in the same perspective, I notice that you have the current law up here and the chart I would like to have is the one that was the House bill, and maybe—well, you have the House bill this time on the left, and that is all right, and the administration plans in the middle; is that correct?

Mr. PATRICELLI. Left to right in degrees of modification—House bill, partially modified House bill, fully modified House bill.

The CHAIRMAN. There is 10 percent of the whole program right here in these charts, as I understand it.

Senator WILLIAMS. Now, perhaps you can just go ahead and explain the House bill, the mathematics of it, and then the changes that the administration bill would make in it, and the changes that your plans, including your proposed plans for next year's operation, would make. I would suggest that you just go ahead and explain it. You are familiar with it.

Mr. PATRICELLI. The difficulties that the committee has raised in the April hearings in connection with this chart were that when you looked at total money income under family assistance, together with surplus food, commodities, medicaid, and housing, you found each of these three programs had abrupt terminations of their benefits when earnings got to a certain point. That produced these notches, or explicit work disincentives, where you had a drop in total cash and in-kind income of something on the order of \$700, and also a virtual elimination of any incentive when the public housing bonus terminated.

Senator WILLIAMS. In other words, under the House bill, a man earning \$6,000, and receiving \$7,446, if you increased his earnings to \$7,000, it dropped nearly \$700 to \$6,749. What does it do to that same man under the administration bill?

Mr. PATRICELLI. Well, taking into account, first, the assumption that—

Senator WILLIAMS. The same assumptions except you have got the modified housing bill, which is a part of this bill.

Mr. PATRICELLI. That is correct.

Senator WILLIAMS. But if we adopt it as it is enacted, what would that same \$6,000- and \$7,000-a-year man do this time?

Mr. PATRICELLI. The only change between that chart and this chart is that the housing amendment is assumed to be in effect, and there is a steady phasing down of the housing bonus in relation to increasing earnings rather than an abrupt termination, so there would be no notch when eligibility for the housing program terminates.

You see, there is no notch at the point when the housing program phases out between \$6,200 and \$6,700. There is, of course—

Senator WILLIAMS. Perhaps I do not understand my mathematics.

Now, to go back again, the \$6,000 a year man under the House bill had total income of money and in-kind from all sources of \$7,446.

Now, if he earned another \$1,000 under the House bill, his total income was \$6,749, a loss in income of \$697.

Now, the same case, using the same situation, what is the man's income, total money and in-kind from all sources under the administration bill?

Mr. PATRICELLI. In this case he goes over the range from \$6,000, earning \$7,500, to roughly \$6,200.

Senator WILLIAMS. Well, no, I do not see any—\$7,514. Isn't that what that figure looks like from here?

Mr. PATRICELLI. \$7,514 is the total cash and in-kind benefit, including public housing, for a family under the partially amended version of the plan. It does not reflect the administration's proposals with respect to food and housing programs.

Senator WILLIAMS. \$7,514.

Now, if the same man increases his earnings, the same example, to \$7,000, what does that man have on that chart that you have over there?

Mr. PATRICELLI. \$6,209.

Senator WILLIAMS. \$6,200, and that is even less. Did I understand you to say you eliminated the notch?

Mr. PATRICELLI. You have eliminated the notch caused by the housing program.

Senator WILLIAMS. It looks to me like you have doubled it. I do not know what it is caused by, but I am speaking about that right-hand column.

Mr. PATRICELLI. Senator, the assumptions of this chart are, first, that we will do what we have the administrative authority to do with regard to the food stamp program, which is taken care of here, and that this committee will not act on reform of the medicaid program over which it has jurisdiction.

But our complete proposal, of course, eliminates all of the notches.

Senator WILLIAMS. But under this administration plan, as I understand it, in New York, if we adopt the bill as it is, intact, no amendments, and laying aside the question of what Congress may or may not do next year, the family of four, with no income, no work, has \$6,210.

If they go out and work and increase their income to \$7,000, they have \$1 less than they would if they did not work at all; let us get back to the administration program.

Secretary RICHARDSON. Senator Williams, I think there is a serious confusion.

Senator WILLIAMS. Well, is that correct on your chart?

Mr. PATRICELLI. Looking at that chart.

Senator WILLIAMS. Is that not correct? With no income a family of four gets \$6,210, and if she goes out and increases her income to \$7,000 under this same chart expendable total money and in-kind, expendable income would be \$6,209, or \$1 less than if she had not gone out to work.

Secretary RICHARDSON. Senator Williams, may I point out that when you refer to the administration bill, so far as the family assistance plan legislation is concerned, there is no difference between the bill before you, the administration bill, and the House-passed bill that would affect the family shown on those charts.

The differences from chart to chart are not differences that result from any difference in the family assistance plan bill. They are differences that arise out of changes in other programs, medicaid or public housing or food stamps. I think it is important to emphasize that what the administration has proposed in order to deal with the notch problem is in every case an adjustment of another program, with the sole exception that we did in June propose to drop Federal supplementation of coverage of families with unemployed fathers. But that was the only change we made in the family assistance plan itself, as the result of the hearings in April and May.

Mr. PATRICELLI. There are two reasons that explain why the drop seems as large as it does because of the assumptions made in these charts.

First, the House-passed bill still assumes New York retains its commodity program, whereas the bill we have proposed now assumes

New York is switching over to food stamps, which it is already planning to do this fall.

To make the charts perfectly comparable it would have been better to have made the same assumption as to either stamps or commodities in both cases.

Now, because the commodities are worth more than the stamps, this gap is larger than that gap.

Second, as you can see, the public housing schedule in New York under the current law has this anomalous increase in the public housing subsidy as earnings go up, a completely illogical result in any housing program. That, too, accounts for the somewhat greater gap.

Nevertheless, the charts are not comparable, and that figure is anomalous.

SENATOR WILLIAMS. They may not be comparable, but they are your charts, and I cannot say how comparable. But if I may just forget for the moment the housing proposal, and take your administration bill as it is, and take the total net money and in-kind, that is your title over there, that is what you put on it, the man with \$6,000 had \$6,029, is that correct, not including housing? The man who is earning \$2,000 in that same column has \$6,239, or he loses \$210 in total money and in-kind by increasing his earnings from \$2,000 to \$7,000 when you exclude housing; is that correct, in New York?

MR. PATRICELLI. That is correct, if you count the medicaid benefit which goes to medical vendors as part of family income.

SECRETARY RICHARDSON. That, of course, Senator, is why we recommended that we not continue a flat benefit of \$1,153 for that family without regard to increases in income. In the case of medicaid it is why, as you see in the righthand chart, we have proposed instead the medical insurance bonus, which is reflected in that chart, in order to deal with that very problem.

SENATOR WILLIAMS. I agree with you, Mr. Secretary, that to correct this you are going to have to move over into these other programs. That was the position that most of us in the committee took and the reason we asked the administration to go back is that there is a question in the minds of some of us can we correct this by piecemeal legislation or should we have an all-inclusive package so that we can act on it? I am just wondering, since we have the mathematical results of your proposal in medicaid, if you could not submit to this committee the language to carry out that mathematical result so that we could consider it all together.

I am not sure that the next Congress would react to make a correction that this Congress ignores, because when you make that correction you are taking away from those people some of the benefits that are under the administration bill. You cannot get away from it.

SENATOR TALMADGE. Will the Senator yield at that point?

SENATOR WILLIAMS. Yes.

SENATOR TALMADGE. If you look at the chart on the extreme right, food stamps, which is column 6 there, they propose to terminate food stamp benefits if the earnings get up to \$720. Some members of the Senate if I know them, would not sit idly by and see the people of New York deprived of the food stamp benefit if they earned \$720 by working.

Senator WILLIAMS. That is the point I am making, and that is the reason why I think we have to be realistic about it, and take this into consideration.

Mr. PATRICELLI. But, as the committee knows, there is counted for income for food stamp purposes not only earnings but cash welfare, so, in fact, we are not proposing to terminate food stamps at \$720 of income, but rather on the order of \$4,200 of income.

Senator TALMADGE. I thought that was the earnings column, on the left there.

Secretary RICHARDSON. But the point Mr. Patricelli makes is that food stamp eligibility would be a function of total income.

May I comment briefly, Senator Williams, on the question of the provisions of the administration's recommendations for a substitute for medicaid. I explained the best I could the other day why we could not provide a complete draft of a bill before February. I think it is important to emphasize once again that the problem before the committee is the reform of welfare. It is, of course, important to recognize that the reform of welfare alone, without the reform of medicaid and without the other adjustments that we have been talking about, will not in itself solve all the problems of Federal participation in assistance to the poor. But this is not a reason why the committee should refrain from taking the actions it can take to improve the welfare system, and to do it now in the light of what has been a very complete record, both in the House and on this side, and in the light of the inequities that have been identified.

As Senator Bennett pointed out earlier, medicaid, or whatever substitute for it we provide, is a means of paying for the health care of sick people, and in the meanwhile we can do something about eliminating inequities in cash income benefits of families from day to day and month to month, including the benefits they would receive under the food stamp plan, regarding that, in effect, as a supplement to the income of the families.

From that point of view, and looking at the figures that we will provide in response to Senator Bennett's request, you get a much better picture.

It starts out, for the family with no income in New York City, with a combination of the family assistance plan benefit, the State supplement, and the food stamp bonus. The total is \$4,068. For \$720 of earned income, the total is \$4,727. For the family with \$1,000 earned income, \$4,805; for \$2,000 of earned income, \$5,086; for \$3,000 of earned income, \$5,367; for \$4,000 of earned income, \$5,638; for \$5,000 of earned income, \$5,814; for \$6,000, \$6,044.

So that you have a relatively smooth progression with a significant earnings incentive built into it.

Senator WILLIAMS. What would those figures be if you took the income tax out of it?

Secretary RICHARDSON. They have been taken out. Federal, State, and social security taxes have been taken out. The only thing I am doing is to insert another column between the column headed "Current Schedule Food Stamp Bonus," and the column which is headed "Medicaid"—or, in the righthand chart, "Medical Insurance Bonus"—in order to focus attention on the point Senator Bennett brought out, namely, that families tend to look first at their cash income and the

cash equivalent of food stamps and not so much at benefits in-kind that are less tangible.

Senator WILLIAMS. That is correct and, of course, it is amazing what you can do with figures, which is the reason why I always like to play around with them.

Take the \$7,000 a year man on that administration program. He has \$971 taxes. That leaves him \$6,029 of cash under the administration's revised program on this second chart.

Now, take the House bill. That same man—well, no, take that same chart. A \$3,000 a year man has \$5,235 total cash income, less \$156 tax is \$5,079, and when you subtract it he has \$1,323 net expendable income as a result of increasing his earnings to \$3,000.

Secretary RICHARDSON. Yes, that is correct.

Senator WILLIAMS. And if you include public housing, which is an advantage, and if you figure that when a man goes off of welfare and loses medicaid he does have to buy his own insurance program or else take his chances on it—these averages of the cost are the ones that you will furnish as a result of your experience—you still cannot get away from the fact, based on that chart, that a man with total net money and in-kind in New York—not a man, but a female head of the family of four—has \$1 less of total net money and in-kind expendable income by earning \$7,000 than she would if she did not earn anything. If you leave housing out of it, that same family that earns \$2,000 has \$6,239, excluding public housing, and if she increases her earnings to \$7,000, she has a reduction of \$210 in her total net money and in-kind.

Now, that does include medicaid which has to be paid, and these notches are still there. I do not say that they are not correct notches, that is to be determined, but these charts speak for themselves now, and any comment you wish to add further, I believe would be of great benefit to this committee.

Secretary RICHARDSON. There is not anything more I can add now, Senator, that has not been emphasized at one place or another, including the point, which I will restate, that we have submitted recommendations that would remove all the notches through appropriate adjustments in other programs.

Senator WILLIAMS. Now, Mr. Secretary, I do not want to contradict you but, perhaps, I just do not understand those charts. I do not quite see that we have removed all the notches.

But anyway, I ask that the chart that was furnished to the committee in April on New York appearing on page 376, which was the April analysis of the House bill, be printed at this point in the record (Insert A), along with the analysis of the House bill that was made just yesterday or the most recent analysis (Insert B), followed by the administration plan which, if it is adopted is this chart (Insert C), and then also include the third chart over here which would be the plan on the assumption that Congress would enact certain recommendations at the next session of Congress (Insert D), and I think they would be of help to all of us.

(The documents follow :)

INSERT A

[Excerpt from Apr. 29, 30, and May 1, 1970, hearings referred to by Senator Williams]

TABLE 4.—COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 4-PERSON, FEMALE-HEADED FAMILY IN NEW YORK CITY¹

Earnings	FAP benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ⁵	Food stamp bonus or surplus commodity value ⁶	Average medical vendor payment per AFDC family ⁷	Public housing bonus ⁸	Total income: money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0.....	\$1,600	\$2,108	\$3,708				\$522	\$1,153	\$2,052	\$7,435	
\$720.....	1,600	2,108	4,428			\$37	522	1,153	2,052	8,118	5
\$1,000.....	1,460	2,061	4,521			52	522	1,153	2,052	8,196	72
\$2,000.....	960	1,894	4,854			104	522	1,153	2,052	8,477	72
\$3,000.....	460	1,727	5,187		\$6	156	522	1,153	2,052	8,752	72
\$3,920 (FAP break-even).....		1,574	5,494	\$17	21	204	522	1,153	2,052	8,979	75
\$4,000.....		1,520	5,520	28	26	208	522	1,153	2,052	8,985	92
\$5,000.....		853	5,853	172	53	260	522	1,153	2,052	9,095	89
\$6,000.....		186	6,186	336	80	312	522	1,153	2,052	9,185	91
\$6,279 (State break-even).....			6,279	386	90	326			2,052	7,529	694

¹ A woman with 3 minor children where State pays \$3,708 to a family with no other income. The standard in New York State was adjusted to include the rent as paid to a public housing authority (\$101 a month) for a typical unit. Does not reflect increased standards as of May 1, 1970.

² Same as table 1.

³ Same as table 1.

⁴ Same as table 1.

⁵ Same as table 1.

⁶ New York City has a surplus commodity food program with an eligibility ceiling of AFDC break-even levels for AFDC recipients or \$4,200 for other low-income families of 4.

⁷ Based on estimates of medical vendor payments, May 1969. Income eligibility ceiling is AFDC break-even for AFDC recipients or \$5,300 for medically indigent nonrecipient family of 4.

⁸ Public housing bonus is the public housing agency estimate of comparable private market rental (\$3,264 yearly in city-aided apartments) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day-care costs, health-related expenses, earnings of minors, or any other deductions allowed. Maximum admission limit is \$6,900 of countable income; for continued occupancy \$8,800. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. Approximately 8 percent of all AFDC recipients in New York City live in public housing.

INSET B

SELECTED INCOME-TESTED PROGRAMS FOR A 4-PERSON FEMALE-HEADED FAMILY IN NEW YORK, N.Y.

Earnings	FAP benefit	State ¹ supplement	Total money income	Federal ² income tax	State ³ income tax	Social ⁴ security tax	Surplus ⁵ commodity Value	Average ⁶ medicaid payment per AFDC family	Current ⁷ public housing bonus	Total income: money and in kind from all sources
\$0	\$1,600	\$1,976	\$3,576				\$522	\$1,153	\$420	\$5,671
\$720	1,600	1,976	4,296			\$37	522	1,153	420	6,354
\$1,000	1,460	1,929	4,389			52	522	1,153	420	6,432
\$2,000	960	1,762	4,722			104	522	1,513	420	6,713
\$3,000	460	1,595	5,055			156	522	1,153	420	6,994
\$4,000		1,388	5,388	\$28	\$1	208	522	1,153	420	7,246
\$5,000		721	5,721	172	28	260	522	1,153	420	7,356
\$6,000		54	6,054	336	55	312	522	1,153	420	7,446
\$7,000			7,000	516	91	364			720	6,749
\$8,000			8,000	676	127	416			720	7,501
\$9,000			9,000	838	170	468			(*)	7,514

¹ Based on current State payment levels and practices for a female-headed AFDC family of 4 with House-passed provisions of sec. 452, and no deduction for Federal income taxes: Arizona, \$2,208 maximum for a family with no other income (69 percent of need standard of \$3,192). Delaware, \$1,788 maximum for a family with no other income (need standard of \$2,832). Payment is deficit or legislative maximum, whichever is less. Illinois, \$3,158 (100 percent of need standard) for a family with no other income. The payment is adjusted to include rent as paid to a public housing authority in Chicago (\$70 a month) for a typical unit. New York, \$3,756 (100 percent of need standard) for a family with no other income. The payment is adjusted to include rent as paid to a public housing authority in New York City (\$90 a month) for a typical unit.

² Federal income tax calculated on the basis of the tax provisions in effect in 1972, assuming no surcharge.

³ Current State schedule.

⁴ Social security tax of 5.2 percent of income up to \$9,000 which will be in effect Jan. 1, 1971.

⁵ Arizona, Delaware, and New York City have surplus commodity programs. Independently of family assistance, New York City will institute a food stamp program in the fall of 1970. Food stamp bonus in Illinois is the difference between the value of the coupon allotment and the purchase price of the coupons, based on current food stamp schedules, with mandatory payroll deduction subtracted from gross income in determining purchase price and eligibility.

⁶ Arizona has no title XIX program. Amounts shown for Delaware, Illinois, and New York include Federal and State portions of medicaid.

⁷ Phoenix, Ariz.—Public housing bonus is the HUD estimate of comparable relocation rental (\$1,500 yearly) minus amount of public housing rent paid. Calculated for 2-bedroom unit. Precise figures unavailable for proportion of AFDC recipients in Phoenix living in public housing. Wilmington, Del.—Public housing bonus is the HUD estimate of comparable relocation rental (\$1,020 yearly) minus amount of public housing rent paid. Calculated for 2-bedroom unit. Only 29 percent of AFDC recipients in Wilmington live in public housing. Chicago, Ill.—Public housing bonus is the HUD estimate of comparable relocation rental (\$1,920 yearly) minus general maximum rent allotment of public assistance (\$90 monthly). Calculated for 2-bedroom unit. Approximately 18 percent of all AFDC recipients in Chicago live in public housing. New York, N.Y.—Public housing bonus is the HUD estimate of comparable relocation rental (\$1,680 yearly) minus general maximum rent allotment of public assistance (\$105 monthly). Calculated for 2-bedroom unit. Approximately 8 percent of all AFDC recipients in New York City live in public housing.

⁸ Bonus rises as families move from welfare to nonwelfare rent schedules.

⁹ Above continued occupancy limits, but family may be allowed to stay until other housing is located.

INSERT C

H.R. 16311—AMENDED

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON, FEMALE-HEADED FAMILIES IN NEW YORK, N.Y.

Earnings	FAP ¹ benefit	State ² supplement	Total gross money income	Federal, State, ³ and social security taxes	Net cash income	Current ⁴ schedule food stamp bonus	Total net cash and food	Total average ⁵ medicaid payment to AFDO family	Total net money and in-kind	Housing bonus ⁶ to family under proposed 1970 Housing Act ⁷	Total net money and in-kind
\$0	\$1,600	\$2,156	\$3,756		\$3,756	\$312	\$4,068	\$1,153	\$5,221	\$989	\$6,210
\$720	1,600	2,156	4,476	\$37	4,439	288	4,727	1,153	5,880	811	6,691
\$1,000	1,460	2,109	4,569	52	4,517	288	4,805	1,153	5,958	788	6,746
\$2,000	960	1,942	4,902	104	4,798	288	5,086	1,153	6,239	705	6,944
\$3,000	460	1,775	5,235	156	5,079	288	5,367	1,153	6,520	621	7,141
\$4,000		1,587	5,587	237	5,350	288	5,638	1,153	6,791	533	7,324
\$5,000		1,016	6,016	460	5,556	288	5,844	1,153	6,997	426	7,423
\$6,000		459	6,459	703	5,756	288	6,044	1,153	7,197	315	7,512
\$7,000			7,000	971	6,029		6,029		6,029	180	6,209
\$8,000			8,000	1,219	6,781		6,781		6,781		6,781

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the first 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings after the initial disregard of \$720 and a single deduction for Federal income taxes. House-passed provisions of calculating State payments apply (sec. 452). State supplementary grants in New York and Chicago are based on State's reported general maximum rent allotment.

³ Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

⁴ Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment and the purchase price, using the current food stamp schedule.

⁵ Medicaid benefit shown is the total (Federal and State) average benefit for AFDC families in State. Individual families may receive higher or lower value depending on medical needs. State eligibility standards apply.

⁶ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon

fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the first \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's Chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4-person families. The private annual gross rents assumed are as follows:

	2-bedroom
Phoenix	\$1,500
Wilmington	1,020
Chicago	1,920
New York City	1,680

⁷ Assumes 2-bedroom unit (includes public housing which will be available to only 6 percent of family assistance families nationwide).

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Assuming Congress would enact certain recommendations in the next session of Congress
 BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILY IN NEW YORK, N.Y.

Earnings	FAP benefit ¹	State Total gross money supplement ² income	Federal, State, and Social Security taxes ³	Proposed schedule food-stamp bonus ⁴	Medical insurance bonus ⁵	Total net money and in kind	Housing bonus to family under proposed 1970 Housing Act ⁶	Total net money and in kind	
\$0.....	\$1,600	\$2,156	\$3,756	-----	\$154	\$354	\$4,264	\$989	\$5,253
\$720.....	1,600	2,156	4,476	-----	337	282	4,721	811	5,532
\$1,000.....	1,460	2,109	4,569	-----	52	263	4,780	788	5,568
\$2,000.....	960	1,942	4,902	-----	104	180	4,978	705	5,683
\$3,000.....	460	1,775	5,235	-----	156	96	5,175	621	5,796
\$4,000.....	-----	1,587	5,587	-----	237	8	5,358	533	5,891
\$5,000.....	-----	1,016	6,016	-----	460	-----	5,556	426	5,982
\$6,000.....	-----	459	6,459	-----	703	-----	5,756	315	6,071
\$7,000.....	-----	-----	7,000	-----	971	-----	6,029	180	6,209
\$8,000.....	-----	-----	8,000	-----	1,219	-----	6,781	-----	6,781

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² State supplementary payments are based on current payment levels with a 67-percent reduction, rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes. House-passed provisions of calculating State payments apply (sec. 452). State supplementary grants in New York and Chicago are based on States reported general maximum rent allotment.

³ Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

⁴ Food assistance is based on present estimates that the food-stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. (New York City will commence a food-stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

⁵ The assumption here is that the family health insurance program would replace the present medical program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed:

0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500, and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

⁶ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4-person families. The private annual gross rents assumed are as follows:

	2 bedrooms
Phoenix.....	\$1,500
Wilmington.....	1,020
Chicago.....	1,920
New York City.....	1,680

⁷ Assumes 2-bedroom unit; includes public housing which will be available to only 6 percent of family assistance families nationwide.

Senator WILLIAMS. I emphasize again we are all trying to work toward the same objective. But I personally am a little concerned about this incentive, how much incentive it is for a person to work when they get \$1 less after they increase their income up to \$7,000.

I am a little concerned about it yet.

Secretary RICHARDSON. Well, as we have emphasized from time to time, Senator, we are concerned, too, and this is why we have proposed provisions that would eliminate that kind of drop in income, as the final chart, the one on the right, shows. But we have also recognized that this can only be done at the cost of a more shallow incentive line, as the chart which presents these things in graphic form emphasizes.

The committee will have to decide whether it places the higher premium on the elimination of any cutoff point at which an individual's income drops, in order to have a steeper incentive line before that, or, to do what we have recommended, which is to flatten the incentive line in order to eliminate the notches.

Senator WILLIAMS. Just one question, if I may, in connection with the chart—could you remove that for just a second there—do I understand that administratively you can, and administratively you do plan to, eliminate the food stamp plan in New York on incomes in accordance with that chart?

Secretary RICHARDSON. We would not eliminate the plan in New York. We understand that New York is moving to the substitution of food stamps for the commodities program.

The fact that only one stamp bonus amount is shown there is the consequence, as Mr. Patricelli pointed out earlier, of the aggregate income money available to the family in that case, which is \$3,756. Since the value of the food stamps goes down for a family as their income from all sources goes up, only the family on the first line, with the \$3,756 income, would qualify for the food stamp bonus.

Senator WILLIAMS. Does that cover your surplus food as well as food stamps?

Secretary RICHARDSON. As I understand it, Senator, a State may opt to have the food stamp plan or commodities. At least to date they have had this choice.

In New York, as I understand it, they have had the commodities program up to now, but they are moving into the food stamp plan, so that the picture shown on that chart is a fair picture of what the situation would be in New York, assuming that all the administration's recommendations were adopted.

Senator WILLIAMS. What percentage of the surplus food is paid Federal and what percentage State?

Secretary RICHARDSON. I do not know the answer to that, Senator. Perhaps somebody here does.

Mr. PATRICELLI. The food, itself, is entirely a Federal cost, largely through the Commodity Credit Corporation. The State shares only in the administrative expenses of making it available.

Senator WILLIAMS. Administratively you could cut it off, is that correct, and in order to get the record straight, the chart on the right proposes an administration plan to cut off the food stamp, surplus food, as of those mathematics?

Secretary RICHARDSON. Oh, no.

Senator WILLIAMS. If not, it is possible that that would be added in.

Secretary RICHARDSON. The food stamp plan would be applied in New York, but the schedule of the food stamp bonus which would be available nationally makes that bonus applicable in New York only to families with incomes of roughly \$4,200 or below, and even a family with no income in New York City headed by a female with three children would get an income of \$3,756.

But this does not mean we are cutting off anything. On the contrary, New York is adopting the food stamp plan.

Senator WILLIAMS. I will admit that this is, perhaps, a misunderstanding on my part. But we are speaking of food stamps, and the chart that was submitted in April also referred to the food stamp bonus and the surplus commodities program together, and I notice that we have eliminated surplus commodities. What I am trying to get in my mind is the picture over on the third chart of the total benefits that would be available if the administration plan is carried out.

Do I understand that that does not embrace the possibility of an extension of surplus food commodities in addition to what is on that chart right now?

Secretary RICHARDSON. That is right, because New York has elected to adopt the food stamp plan instead of the commodity plan which they have had up to now.

Mr. PATRICELLI. Senator, under current law a county cannot have both.

Senator TALMADGE. Will the Senator yield at that point? The food stamp proposals now, of course, are operated by the Department of Agriculture. The Senate committee reported out a bill liberalizing the food stamp program.

Senator McGovern, Senator Javits, and others, amended it substantially on the floor of the Senate. The eligibility level is about \$4,000 per family of four, as I recall. The Senate passed the food stamp bill on a divided vote.

The bill has been pending in the Agriculture Committee of the House now for quite some time. The Senate recently approved the food stamp appropriation as I recall, in the Department of Agriculture appropriation bill, of something over \$1,700 million annually.

The committee bill, as I recall, was something on the order of \$1.2 billion, so the food stamp program is still in controversy in Congress between the Senate and the House. No one knows as yet how it will ultimately come out, but it is substantially liberalized from present law and, of course, the administration of the food stamp program is now vested in the Department of Agriculture.

The present law requires the local government of the county to make the option. Some of them elect the commodity program and some of them have elected the stamp program. It varies within the jurisdiction of each State, and will continue to vary.

The new bill that was passed by the Senate will, for a limited period of time, let the governing body of the county use both programs, but it contemplates that ultimately most jurisdictions will find the stamp program more attractive than the commodity program, and the object of the bill is that the trend will be in that direction.

The CHAIRMAN. Mr. Secretary, let me just point out to you what I think is the first mistake in this program. I mean, assuming that you want a welfare program, and I say this as one who has been sponsoring amendments down through the years to let a person keep the first \$30 or first \$50 they make and go to work to improve their own condition.

This mother with three children goes to work and makes \$720. Now, that is \$60 a month. She has her—leaving out the public housing part of it, and looking at her net money and in-kind over here—out of what she makes she is only permitted to keep \$40 out of the \$60 she makes.

I would think that a good workfare bill would say that for the first \$50 she is able to make she gets \$100, so she is \$2 better off for every \$1 she honestly earns. That would encourage that old girl to go to work.

Secretary RICHARDSON. Mr. Chairman, I am not sure I follow you because, as I read the chart, and as I understand the program, in the case of a woman who earns \$720 she keeps it all.

As you see, the family assistance plan benefit in the first column is \$1,600 at zero, and it is still \$1,600 at \$720. The State supplement is \$2,150 at both levels. This is because earnings up to \$60 a month are considered, under our plan, to be, in effect, no more than sufficient to cover the costs of working. There is no reduction up to that point.

The CHAIRMAN. Well, now, I am looking at that column "Total net money and in-kind." That is \$4,721, and if I subtract \$4,264, which is a figure above, that if I subtract it from that I come out with—

Secretary RICHARDSON. There is a reduction in the medical insurance bonus which accounts for the difference.

The CHAIRMAN. Well, just looking at the whole item to that point, then, and take out the taxes and look at your medical insurance and terminate the food stamp benefit, she would otherwise have—and you are coming out with a net; let me see, that would be—

Senator BENNETT. \$460, roughly.

The CHAIRMAN. Subtracting upside down is hard for me.

Senator BENNETT. \$457.

The CHAIRMAN. Senator Bennett says \$457. She has \$457 to show after she earns \$720.

My thought about it is she ought to be \$700 better off. If you want a workfare bill she ought to be \$1,000 better off.

Senator WILLIAMS. She has taxes to pay out of that.

Secretary RICHARDSON. This is a question of balancing costs, Mr. Chairman. The availability of the food stamp bonus cuts out at something like a \$4,200 income for a family of four, and so when that woman earns \$720 in New York City, because the State supplement is high, she passes beyond the threshold of availability for the food stamp bonus.

In States with lower State supplements she would still qualify for a food stamp bonus, and so that factor would not apply.

In the case of medical insurance, you could decide that you would not throw out that amount of bonus, and, of course, if you kept the \$350 for medical insurance bonus, and the \$154 food stamp bonus, then she would be keeping the whole \$720. But this is simply to emphasize

that if that were the decision you made, you would be increasing the cost both of the food stamp plan and of the medical care plan.

The CHAIRMAN. All I am saying, Mr. Secretary, if you work on the basis that is cranked into your program, whether you admit it or not, and I think that you and I both know it, if you start out on the basis of putting such a high entitlement for doing zero, you just cannot do much for the fellow or the lady, as the case may be, who is really trying to help himself or herself. If you want to make it a workfare bill, you just cannot afford to devote that amount of the funds you have to paying people to do nothing, because it does not leave you much to help the person who is doing something.

Secretary RICHARDSON. Could we show the chart, Mr. Chairman, that reflects the current situation in New York?

The CHAIRMAN. If you can have a bigger fiasco than that I would like to see it. So let us put the current situation in it; is that available?

Mr. PATRICELLI. It may be easier to show the graphs.

The CHAIRMAN. Do you have a chart showing the present situation in New York?

Secretary RICHARDSON. You see, without regard to the present recommendations of the administration, the total money income is about \$200 less.

The CHAIRMAN. Well, at least in the current situation the person would appear to be about \$700 better off by going to work, wouldn't he, almost \$700 better off? Is this chart 4 over here for the current situation?

Let us take the first step, \$700, and I am looking at the column prior to it, but I do not think it makes much difference. When she makes \$720 she is almost that much better off, so that she is almost \$700 better off.

So in that respect your bill moves away from the workfare program. If you are looking at where a person—

Secretary RICHARDSON. Yes, but looking at the big notch, when you get down to the difference between total earnings of \$6,000 and earnings of \$7,000, there the total income, including income in-kind, drops from \$7,271 to \$6,587. As we have emphasized from time to time, if you eliminate notches you also reduce somewhat the pitch of the incentive rise.

Senator WILLIAMS. But, Mr. Secretary, the notch in the existing law drops from \$7,200 to \$6,500. As I understand it, the notch under the administration's bill drops from \$7,500 to \$6,200 or a \$1,300 drop.

Secretary RICHARDSON. As I pointed out earlier, that is not under the administration's bill. That is under the assumption that the administration's family assistance plan is adopted without the other changes that the administration recommends.

Senator WILLIAMS. It is the only administration proposal submitted to the Congress in any legislative form, is that correct.

Secretary RICHARDSON. Yes, Senator.

Senator WILLIAMS. Do I understand the administration has withdrawn its support?

Secretary RICHARDSON. There is no way of eliminating notches with a welfare bill alone.

Senator WILLIAMS. I am not quarreling with that, but I do not think we ought to get away from the fact that the administration's

bill is represented on the center chart. That is the only bill before the Congress at this time.

Secretary RICHARDSON. I think the situation is getting confused, Senator.

The Chairman pointed out on the chart, which reflects our total plan, that the fact that the woman in question and her family have lost the benefit of food stamps and have had to suffer a reduction in the medical care bonus meant she was not able to keep all of the \$720 she had earned. I have been pointing out now that in order to eliminate notches it was necessary to provide a reducing, sliding scale of benefits under food stamps and medical care, and the only way of eliminating the notches is to reduce medical care benefits and food stamp benefits as earnings rise.

If you want to maintain these in order that she can keep a larger proportion of earnings up to some given amount, you can do that, but you can do it only at the expense of a notch somewhere further on. This assumes total program costs are kept constant.

The CHAIRMAN. Now, Mr. Secretary, here these people, of course, are not likely to move up from zero earnings to \$7,000 earnings immediately because you would expect them to work their way up this ladder.

But here on page 19 of the material prepared by our staff to help guide us in studying this bill, it shows what happens to a family of four headed by a woman, with a mother trying to help provide for those three children, in terms of how much she makes for each dollar if she moves from unemployment with no income to full-time work at the minimum wage, and that is something we can easily picture, I would think.

In New York City under present law we are told by our staff's calculation, that puts all of these items in, including the medicare and medicaid—medicaid, anyway—if she makes a dollar she is 60 cents better off.

Then we are told under H.R. 16311, the way it came to us, if she makes a dollar she is 44 cents better off, and that by the revised program that you have got here, if she makes a dollar she is 30 cents better off.

So each one gets worse, and the same thing is reflected for Phoenix, Ariz.; Wilmington, Del., except it gets even worse there. She starts out keeping 71 cents and winds up keeping 23 cents.

Chicago, Ill., she starts out keeping 54 cents, and winds up under this revision keeping 27 cents.

Now, at such time as we report this bill, I hope it will move just the other way around, so that the more she does the better her situation is.

Secretary RICHARDSON. As I said a moment ago, Mr. Chairman, the question is how the committee feels about the importance of stronger work incentives at the lower levels of income versus the desirability of the elimination of disincentives at higher levels, and I would call your attention again, as I did yesterday, to the last sentence in the text opposite this chart which says:

These proposed changes in other types of welfare programs—and that, of course, is what the Administration revision refers to, changes in other programs—are designed to eliminate strong work disincentives at higher earnings levels but they do so at the expense of reducing work incentives sharply at lower earnings levels.

That is what this chart illustrates. You cannot have it both ways. You cannot both eliminate the notches and maintain the steepness of the earnings incentives at lower levels, except, as I have pointed out earlier, at very great cost. You move the break-even point up, and thus very much increase the numbers of families who would be covered.

The CHAIRMAN. You could do both—

Secretary RICHARDSON. I was tempted the other day to get my staff to build a model that would show what happens, in terms of the coverage of numbers of families and the break-even point, if you move up the steepness of the work incentives pitch.

Imagine an arrow hinged at one end at the bottom, zero income, and pointing to various levels of income, and numbers of people covered out beyond that. The more you inclined the arrow upward in order to permit a higher proportion of earnings to be retained the higher the point on the income line where the break-even point occurs and therefore the larger the number of families who have income at the break-even point or below. This is why, therefore, you have to have some compromise between the pitch of the earnings incentive and the cost of the program.

We are not wedded to any particular approach to this. We would like to have the optimum combination of work incentives, coverage, and costs.

What Senator Williams has done, as the result of focusing attention on the interrelationship between the family assistance plan and other programs is to highlight the fact that there are work disincentives resulting from the cutoff points in other programs.

We said: "Fine, we will go back to the drawing board and see what we can do to eliminate the work disincentives."

We did that, and the consequence was the one you just pointed out, that the pitch of the earnings incentives at the lower range is reduced. The committee must, therefore, elect which of these things it wishes to do.

I would say that on balance our feeling is that it is probably better to eliminate sharp disincentives, at least, and this is why we have recommended a declining rate of medical care benefits, a declining rate of food stamp benefits in these other related programs, together with a declining rate of housing bonus supplement.

The CHAIRMAN. It seems to me, Mr. Secretary, if you are talking in terms of priorities, if you are talking about a workfare rather than a welfare bill your first priority should be, to take this person not doing any work and put him to work. I think that would come first. But I do not see that you have to completely sacrifice one for the other.

If you say more workfare, less welfare, then why not cut down on the welfare, why not take a look at these people who are not doing anything to help themselves, and say that we are just not going to pay as much hereafter for people doing nothing to help themselves. They ought to do something.

So if you pay less where you get zero, and pay more where you achieve something, there is a big savings at your bottom point. I would think that we should be able to work out a bill here would not start out by a disincentive at the first step.

That is most essential. If you do not get them past the first step you will never get them past the fourth, fifth, or sixth.

It seems to me, the first thing is to get them to work and stop this thing of saying they are worse off under the new bill than under present law. Look at what they are making in the chart, Phoenix, Wilmington, Chicago, and New York, and in every one of those cases they ought to move up, so that out of the first amount they make they ought to keep at least 30 percent, I would think.

Secretary RICHARDSON. I think we ought to give you another chart identical to this, Mr. Chairman, which gives you the results at the point of income computation that Senator Bennett identified earlier—the combination of the family assistance plan benefit, the State supplement, and the food stamps, but not including medicaid or housing bonus. That would look considerably better. One of the reasons why the right-hand figure comes out as it does is the substitution of the decreasing medical care benefit for the flat rates of medicaid coverage that would apply until and unless the administration recommendations are adopted. That would give you another comparison to use.

I think I would emphasize this again, Mr. Chairman: Our purpose in being here before this committee is served if we have helped to illuminate what the problem is, and to enlist the committee's interest and cooperation in its solution.

There are only a certain number of ways of doing it within what we would consider to be reasonable cost limits, and we simply want to work with the committee to do this. The question of how you adjust the rates of incentive versus the elimination of disincentives, and so on, are matters about which we would say only that we have, we think, an informed judgment; we have thought about it; we have views.

We would like to be sure that the committee understands why we have come out where we did, but we would not say to the committee that this is the only right place to come out. On the contrary, as I have emphasized, we would like to work with you to achieve what you believe to be the most reasonable solution of these interlocking problems.

The CHAIRMAN. Thank you, Mr. Secretary.

Senator HANSEN. Would you yield at that point? I hope it is not necessary for me to observe that we share the same goals that you have just enunciated so ably, Mr. Secretary.

Our purpose, certainly mine, and I am sure that everyone agrees with me in this regard, is not to try to find fault and criticize but, rather, by pointing out deficiencies, by pointing out weaknesses, we hope we will be able to come up with something that will meet the challenge of the times.

I am particularly conscious of that because I am sure, like everyone else, we share the concern that results from an increasing dependency upon welfare, escalation of numbers of people receiving aid, and our desire that we can come up with something that will result in a movement away from this, and I would like to refer, if I may, to the chart on the extreme right there, if Mr. Patricelli would be kind enough just to remove that little chart superimposed there.

Let me call attention, as I understand this chart, all of the things you recommend as forward steps are contemplated. You do away with the food stamp bonus when earnings reach the level of \$720.

Secretary RICHARDSON. Excuse me, Senator. We do away with it when income for a family of four reaches \$4,200, and they cross the \$4,200 line, including the State supplement, by receiving an additional \$720.

Senator HANSEN. I see. Thank you.

You contemplate a decreasing medical insurance bonus starting from \$354 and dropping in a series of six steps down to \$8, beyond which there is no further support, and bearing in mind also that when we discuss the situation in New York City we are talking about welfare rolls that, I think, approximate at the present time some upwards of 10 percent of all of the welfare recipients in the country.

Then I would observe that while you had earlier testified that you thought we ought to have incentives that when they approach—and I will let you phrase this in your own words—upward of 50 percent of realized income, or however you expressed that, I do not mean to put words in your mouth, but if I misstated your position, I welcome your correction at this moment—but, in any event, if my figures are correct, when we compare what a female-headed family of four persons would receive with no earnings, with zero earnings, and what would be received by that same family when the earnings reached the \$4,000 level, I get it that that family would be able to keep roughly 16 percent of the \$4,000 that are earned, actually 15.9.

Moving to \$5,000, that same family would be able to keep 14.6 percent, roughly \$1 in each seven earned would be all that she would be able to keep.

When earnings go to \$6,000 they drop, and she would be able to keep about a little over 13.6 percent of the amount that she earned above the zero level when she moved up to \$6,000; and for \$7,000 the figure remains the same, 13.6.

If she were to aspire to earn \$8,000 a year, she would be able to keep roughly one in five of every dollar—I mean one out of every \$5 she earned, or a little over 19 percent.

Do these reflections or do these facts, I should ask, reflect your feeling as to the desirable level of retention of earnings that would induce the proper incentive to move from welfare into private employment?

Secretary RICHARDSON. Well, I think it would be desirable, from the point of view of work incentive, to try to assure that she could keep more. But, as I pointed out earlier, it is only possible to do that at much greater cost.

If you take into account each of these programs that are identified on the chart, the incentive picture looks significantly better if you do not include the housing bonus, which is available nationwide to only 6 percent of all family assistance families.

Senator HANSEN. If you will permit an interruption at that point, Mr. Secretary, I was not trying to speak in terms of national averages. I do not think they are too meaningful. The story is told about the woman with her head in the refrigerator and her feet in the oven and, on the average, she felt pretty comfortable.

But, actually, it seems to me if we want to be specific there is, is there not, substantial housing benefits available in the city of New York; is this right?

Secretary RICHARDSON. We previously submitted this for the record, and it is repeated on the bottom line of the left-hand chart, that

only 8 percent of all AFDC recipients in New York City live in public housing. Only 8 percent of all the female-headed recipient families in New York would get the housing benefits shown in the next to the right-hand column.

Realistically, therefore, looking at the other 92 percent of the families in New York, and recognizing the further point, emphasized by Senator Bennett, that the family does not necessarily think of availability of medical care in income terms, it is fair to look at the combination of cash income plus food stamps. If you look at those totals, the picture is significantly better in incentive terms.

I have not figured it out in the same percentage terms you have, and we can do that for the record at this point. But, just without repeating all the figures, at \$1,000 intervals, if she earns \$2,000, her aggregate income would then be \$4,798. If she earns \$6,000, her aggregate income would be \$5,756. In effect, therefore, she was able to keep roughly half of the additional \$2,000 in earnings, even though there is involved a deduction of the combination of Federal, State, and social security taxes.

Senator HANSEN. Well, I chose those higher figures ranging from \$4,000 in earnings up to \$8,000 in order to focus on the level of income that I assume we might hope people would aspire to if we are sincere in saying that we hope that this reformed welfare legislation would indeed move people off of public assistance.

So I think if we are to accomplish that objective you have got to examine that part of the chart which would indeed accomplish that, and it is for these reasons I did not go all the way through.

(The Department subsequently supplied the following material for the record:)

AVERAGE REDUCTION RATES UNDER ADMINISTRATION'S JUNE REVISIONS OF FAMILY ASSISTANCE FOR A 4-PERSON FEMALE-HEADED FAMILY IN NEW YORK, N.Y.

(In percent)

Earnings	Total gross cash income	Net cash income after taxes	Net cash income less taxes and health insurance contributions	Total net cash and food bonus
\$0.....	0	5	15	37
\$720 ¹	19	24	33	48
\$1,000.....	43	48	57	64
\$2,000.....	51	56	64	70
\$3,000.....	54	60	69	73
\$4,000 ²	55	64	61	64
\$5,000 ³	55	67	64	67
\$6,000.....	54	68	65	68
\$7,000 ⁴	47	62	60	62
\$8,000.....	42	58	57	58

¹ Above food stamp breakeven at this gross income (earnings, FAP and State supplement) level.

² Above FAP breakeven level.

³ Above FHIP breakeven at this gross income (earnings, FAP, and State supplement) level.

⁴ Above State supplement breakeven level.

Secretary RICHARDSON. We certainly accept this. I do not want to leave any misunderstanding. We consider that all of these points—including the charts, themselves—from the beginning have made a very positive contribution both to us and, we hope, to the committee

in our understanding of what the problems are that we have to solve.

I was only trying to make the point that it depends on what part you look at to see what the resulting incentive picture is.

Mr. VENEMAN. I think it is also fair to point out that you can make the same assumptions we made with regard to food stamps.

As the cost of food stamps increases the likelihood of people participating decreases, so that it is unlikely that people who get up into the \$6,000 or \$7,000 income bracket would be among the 8 percent in New York using public housing.

Another is the graduated income tax, a subject matter this committee has studied frequently, and again from \$4,000 to \$8,000 there is no relationship to the Federal participation in the welfare program. The disincentive there results primarily from the graduated income tax.

Senator WILLIAMS. If the Senator would yield, it is partly that and partly due to the fact that the cash payments under FAP and State payments are not subject to tax, whereas what he earns is subject to tax.

Mr. VENEMAN. Yes.

Senator WILLIAMS. For example, the \$6,000 a year man has \$6,000 earnings, has a state supplement of \$459. If you add his \$288 food stamp, which is equivalent to taxes, he has net cash of \$6,044.

If the same man earns \$7,000, he has no supplement, \$971 tax, because everything that he has earned is taxable, and he has a net of \$6,029 or \$15 less than he would have for earning the other \$1,000.

Senator BENNETT. Mr. Chairman, I have been silent for a while. It seems to me all of this is a function of the fact that you start all of these people out with \$3,500. If you are going to say that every dollar that they earn above that they should keep 50 percent of it, you have to go up to about \$9,000 before you begin to break even on the thing and, as the Secretary has said, you are talking money.

Now, it is a question, maybe we have got to go up there in order to get the incentive, but it becomes a philosophical question as to how much we can afford to pay of the taxpayers' money to solve this problem, the psychological problem, of persuading people to leave welfare and go to work.

The Chairman is exactly right. If by some magic wand, some magic means, we could reduce the base for which they get money now for earning nothing, then the line would rise very sharply and the incentives would rise.

This level of \$3,750 of actual money income in New York has been going for nearly 40 years of a welfare program, and it has carried a psychological point of view with it.

Now we are trying to break that barrier, and it is not going to be either easy or cheap and, as the Secretary said, they have tried to find some kind of a balance. But if you want to start on the basis, and it is a defensible basis, that the person should be allowed to keep no less than 50 percent of earned income, then you are still going to be paying welfare benefits to people who are earning in New York I guess between, \$9,000 and \$10,000, and it is a mathematical problem fundamentally.

As long as you are going to leave the base that high then you have got to take the mathematics that go with it or else you have got to try to figure out some other way to persuade people they are better off working, some other incentive than the actual dollar incentive, and I do not think you can get around it.

Now, you can go along on this present basis which takes them up so far and then drops them suddenly, which says, "You can work to earn so much money but then you had better not pull yourself up any higher because you suddenly find yourself earning less," and this is a mathematical problem, too. This is not a matter of judgment.

These charts reflect the mathematical problems involved. So we face a very serious problem in this committee. We are going to be accused, and the administration is going to be accused, of spending a lot of money to try to solve this problem of getting people off welfare, and if we are not careful we are going to find the psychology which says it is better to leave them on and trying to get along with less money, and this is a philosophical problem that we have got to face here.

Senator CURTIS. Mr. Chairman, I won't take but a moment, but I cannot agree with my distinguished friend from Utah at all.

The more money you put into relief, and the more people that you put on the rolls, there will be a greater number of people who will be getting something that other people work for.

Senator BENNETT. I do not disagree with that.

Senator CURTIS. And by the suggestion that by adding several billion dollars to deal with notches, we could overcome the problem that there is an incentive to go on relief instead of work just does not follow.

By spending more money and giving people greater amounts and giving it to more people will not increase the incentive to go to work. It will not do it. The higher the benefit is, the more incentive there is for people to relax in their pride and in their desire, if they are able-bodied, and go on welfare rather than work.

Senator BENNETT. I can give you another answer to this problem that the American people will never face, and that is to make yourself a list or an inventory of the able-bodied heads of the families and cut them off welfare. But you cannot do that until you provide them with a job, and you say after next April 1 there will be no more welfare, but we have provided you with a job which will pay you the same amount as welfare.

But psychologically and politically that is impossible. Unless you are prepared to do that you are going to have to recognize the mathematical problems involved in trying to keep people partly on welfare and slide them over partly into the private sector, and that is where this question of incentives and notches comes.

Senator WILLIAMS. Mr. Chairman, I find myself in great agreement with what all of you are trying to achieve and, perhaps, what you are saying. But I wonder how much we are achieving when you figure the encouragement to work and encouragement of a man to improve his position that you have in this program that is presented. Take a man earning \$6,000. If he increases his earning capacity by working overtime or with a raise to \$7,000—and I am forgetting medicaid and

public housing for the moment, just take cash, actual cash, and food stamps which we accept as cash—he is actually \$15 worse off by earning an extra \$1,000.

In other words, if he is earning \$7,000 he will have \$15 more cash if he drops his workload back so he earns only \$6,000.

I agree with the objectives, but I am wondering if you are achieving them under that type of a system, and that is what bothers me.

I will say again you cannot correct the problems unless you recognize them. I do not find fault with the fact that these problems exist here. I know we are dealing with a highly complicated question. I worked on this myself, came up with my so-called solutions, and I find similar problems confronting us.

But we do not correct it if we just alibi the problem; we have to face it. The bill is right on the chart, the second chart, of \$6,000, and a man gets \$459 in cash supplemental, and the total is \$6,459. He gets \$288 in food stamps which, in cash, is \$6,747.

He pays \$703 taxes, leaving him \$6,044.

He goes on, and he earns \$1,000 and he has \$7,000; no supplement, no food stamps, but he pays \$971 taxes or he has \$6,029 or \$15 less than he would at \$6,000. Perhaps my mathematics are wrong, but that is the way it comes out in my answer, and we have to face this.

I do not know what the solution is, I will be frank with you. I do not find fault with the Secretary or anyone else because he does not come up with a solution, but I do not think we are going to reach a solution unless we realize we have a problem we want to correct. If we do not want to correct it, and that is what we want, that is a different story.

But I have the same objective that the administration has, and advocated it long before this administration came into power, that we needed a work incentive program, one we could get, as the chairman of this committee—I will be frank—has tried over the years to achieve this, and we have not done very well.

I admit that we have not done very well in achieving the objectives or the goals we set out to achieve.

Maybe this is better or maybe it is not better. Let us just analyze it and face it and let us see if we can work together in getting an answer.

But we are not going to get it if we get into a defensive position that I am right and the other fellow is not right.

I am confused about this whole problem.

Secretary RICHARDSON. I agree with every word you said, Senator.

I would just point out that while we certainly are not wedded to our solution, we think that on balance it is better to eliminate the drop in income you have just pointed out, which results from the families crossing the threshold of eligibility for medicaid. You see that \$1,163 for medicaid stops between the \$6,000 and \$7,000 earning figures, and that, of course, is more than the difference in earnings, together with the loss also of the benefits under the other two programs.

So what we tried to do, therefore, was to graduate it down in steps, as we have shown in the other chart, and that, in turn, meant that the rate of increase in total disposable income, plus benefits in-kind at earlier levels, did not rise as fast.

We thought, on the whole, it was better to remove the notch even though the consequence was to have a less steeply rising incentive benefit.

The CHAIRMAN. Mr. Secretary, one thing that we have not gone into now, except just to mention it, if you had a chart available it might be worth taking a look at it and see what happens to that family of four when papa comes home.

I think from the conversation I have heard so far it indicates that if he is working and making a living that the family loses a lot of money.

Do you have charts available that show that?

Mr. VENEMAN. It is in the present statute, Senator, that if the—

The CHAIRMAN. New York City now. If a fellow comes home, what happens?

Mr. VENEMAN. If he comes home and has earnings and has income and he is the responsible parent, then he is responsible for that family and they would lose their eligibility.

I would like to clarify what Senator Williams said, because he referred on a couple of occasions to what this man would earn.

Those charts apply to a female-headed family of four. This is a woman with three children we are talking about.

We also built into the measure a work requirement—a requirement that she register for work if her children are over 6 and she is capable of working, and accept a job or training if day care facilities are available. We will make every effort to have her work.

If she refuses, under those conditions, she does lose her aid, but I do not think we should lose sight of what this program is all about. It is to take care of the children. It is to take care children who, through no fault of their own, were brought into this life and this environment. I do not think the Federal Government, paying \$1,600, is being overly generous.

The CHAIRMAN. Well, it says \$1,600. By the time you get to the other end of the chart it looks more like \$5,221.

Mr. VENEMAN. Those are the combined programs. But I think we should keep in mind that we are talking about a female-headed family of four, and those other decisions as to how much the total grants should be were made by the State of New York.

The CHAIRMAN. Yes. And, unfortunately, some of theirs were made without seeing the same charts we are looking at here, I regret to say, just as some of our decisions in Congress have been made without looking at the whole charts.

Senator BENNETT. And we are looking at ours without looking at New York.

The CHAIRMAN. Do you have a chart showing how much a family of five, that is what it takes now if the father comes back to that family?

The CHAIRMAN. In New York State, what happens?

Mr. VENEMAN. If he is a working father he loses his eligibility for matched assistance payments. We are not changing that.

Mr. PATRICELLI. That is assuming he is working full time.

The CHAIRMAN. Well then, assume he is not working at all.

Mr. PATRICELLI. If he is not working, the family gets a given amount plus the extra increment for the extra member.

Senator WILLIAMS. What would he get under the administration's plan?

Mr. VENEMAN. The way the bill is written right now, Senator Williams, the unemployed father provision would be repealed.

Mr. PATRICELLI. With the grandfather proposal which has been made, the individual who was currently in the unemployed fathers program would retain his eligibility.

Senator CURTIS. With the grandfather clause he would be eligible.

Mr. VENEMAN. For the future such families would be eligible just for the Federal portion.

Mr. PATRICELLI. That portion only.

The CHAIRMAN. In New York City they, by law, as I understand it, regard a father as being unemployed if he is working 34 hours or less.

So if he is working 34 hours or less, I would take it he would be entitled to have his earnings, without losing his benefits.

Mr. VENEMAN. Senator, after we went back for revisions, our thought was to suggest that the unemployed parent be treated just as the working poor, so we were recommending that we repeal the unemployed father provision, which affects some 23 or 24 States and some 90,000 families in the United States at the present time.

The Secretary, in his opening remarks the other day, subsequently proposed that those who are now on the rolls, the 90,000 families, be grandfathered so that no family now receiving aid would have a reduction, and so that the fathers of any further families of this kind working 34 hours a week would be treated just as the working father. They would not be entitled to a State supplement. They would be entitled to the \$1,600.

Senator WILLIAMS. Do I understand that with the grandfather clause, and proceeding on the premise that that would be included, and the father comes home to this family of four, that makes a family then of five?

Mr. VENEMAN. Yes. If he is admitting parental responsibility.

Senator WILLIAMS. Would they increase the \$300 as a result of the additional member of the family?

Mr. VENEMAN. Yes. You see, if it was grandfathered in that would cover only—

Senator WILLIAMS. Assuming he was unemployed, couldn't get a job.

Mr. VENEMAN. That would cover only those on the rolls now.

Senator WILLIAMS. That is what I am speaking of. I understand that. I am just speaking of those who are on the rolls now, and he comes back home. That would be a family of five; that would increase it by \$300 for the additional member of the family; is that correct?

Mr. VENEMAN. If he was there when family assistance came in, and if he was, in fact, on the unemployed parents' roll, was eligible for it, and was receiving aid at that time, then the family would be considered a family of five.

Senator WILLIAMS. I see. But if he comes back the day after the enactment he would not.

Mr. VENEMAN. Then that family would be treated in the same category as the working poor.

Senator WILLIAMS. Assuming for the moment that he is back or he was back, and he is eligible for it, and this is a family of four, well, you can make it two children and father and mother, we have those figures across the board, then, is that correct?

Mr. VENEMAN. Right, that would be the same.

Senator WILLIAMS. Now, this is an unemployed father.

Suppose he gets a job and he goes out and works and makes the \$720, and it looks like a permanent job, but he is on the payroll at a minimum wage. He becomes an employed father then, and then comes in under this formula, is that correct?

Mr. VENEMAN. Would he be full-time employed?

Senator WILLIAMS. Well, he would not know that until the year was up.

Mr. VENEMAN. If he is full-time employed he would lose his eligibility for supplemental payments.

Senator WILLIAMS. Then he goes off?

Mr. VENEMAN. Right.

Senator WILLIAMS. Does the family go off, too, or just he?

Mr. VENEMAN. No, the family would go off. They would no longer be eligible for the supplementation.

Senator WILLIAMS. Now, the question that was asked the other day of me, and I was unable to answer it, and perhaps you can, this unemployed father, and with the grandfather clause built in, he gets what appears to be a full-time job, but then that job is abolished, and through no fault of his own he loses it and he comes back again as an unemployed father. Does the grandfather clause carry beyond the notch?

Mr. VENEMAN. No, we would not propose it carry beyond, because then he would start over again in the working poor category. He has no income and, therefore, he would be entitled to the basic Federal assistance of \$1,600.

Senator WILLIAMS. He would be taking a gamble that he has to be sure it is permanent rather than temporary?

Mr. VENEMAN. It would depend on what it was. If he were working part time, he would have to weigh that factor.

Senator WILLIAMS. I want to pass this question on, which was raised, and I was not able to answer it. Will this grandfather clause, which I can see the justification for, work as a disincentive to this man? He would be fearful of taking the job unless he was almost guaranteed a full-time job, because he may, by accepting it, eliminate his family from the welfare rolls.

Mr. VENEMAN. That would be true, Senator, for those who would be on the rolls, but the disincentive would not be nearly as great as the one you pointed out in the first hearings.

The way the bill came from the House, we continued the unemployed parents' program and made it mandatory, and that disincentive was always there. Now we are only dealing with those on the rolls. Granted there could be an inclination for the person to say, "I am not going to get out and get full-time work because I am going to lose the State supplementals and other benefits," but at least we know what we are dealing with. We are dealing with 90,000 families. Possibly there will be a 10,000 or 15,000 increase by the time the bill goes into effect. But at least we are not dealing with the entire universe, and the possibility of a person living on a low-income full-time job to go to a 34-hour a week job.

Senator WILLIAMS. I just wanted to put that in and get your answer for the record.

Secretary RICHARDSON. One of the things we have considered, although not formally proposed, is that, to deal with the problem you have just identified, if the father becomes unemployed again within a specified period, say, 4 months, the family would not lose its grandfather coverage status. But that, of course, just leads to another problem—that is, he might want to be sure he did not work 4 months at any given time.

So that there is no very good way, for this group of 90,000 families, to solve the problem completely.

On the other hand, it will decline at a fairly rapid rate. The experience to date with the unemployed fathers coverage in California and the other States which have it is that the duration of public assistance for these families is quote a lot less than coverage of other AFDC families—9 months, I am told, is the duration.

So it is a declining problem, or would be under this proposal.

The CHAIRMAN. Mr. Secretary, in the veterans' pension program, which is based on need we 10 years ago wrote a new program with the recommendation of the Veterans' Administration which made a lot better sense. There were many people objecting to the proposed program because, for one reason or the other, they would suffer reductions if we went to the new program.

So we simply kept the old one for those who were on it and provided for the future only the new program with it would be available.

I am informed now that where there were 900,000 people on the old program, there are now only 200,000 people, and that program is gradually dying away. The new program, which makes better sense, has about a million people on it, and it has largely replaced the older one. It has gone 80 percent of the way in replacing the old one anyway, and it is a much better program.

So we might consider some thought along that line which might help to answer these questions.

Thank you for your testimony here today.

Senator BYRD. Mr. Chairman, may I ask three brief questions?

Mr. Secretary, the fiscal year 1970 ended last month. What was the cost of the welfare program, the Federal cost, for that fiscal year which ended June 30?

Secretary RICHARDSON. The figure is somewhere around 4½ billion dollars. We could correct it.

Senator BYRD. That is close enough. I had \$4.4 billion, so that is close enough.

The next question is this: You estimate the cost of fiscal year 1971 at \$9.1 billion. That is on page 23 of the committee print.

Secretary RICHARDSON. The costs there, Senator, include some things that are not covered in the \$4.4 billion.

Senator BYRD. I understand. But what I have is the total cost of \$9.1 billion is estimated for 1971.

Secretary RICHARDSON. Yes.

Senator BYRD. Do you have an estimate for 1972, because this program will not go into effect until 1972?

Mr. VENEMAN. The next chart, I think, may have that.

Secretary RICHARDSON. The total cost is shown on the chart on page 24 of the committee print as \$8 billion. That covers payments to families and it also covers the Federal share of the adult categories.

The difference in the figure from the \$9.1 billion you used earlier is that the \$8 billion covers only assistance payments. It does not cover training programs and it does not cover food stamps.

Senator BYRD. What I am trying to do is to get a figure that would be the total cost of the welfare program for the fiscal year 1972.

Secretary RICHARDSON. The way these figures have been combined, I do not have readily at hand a comparable figure to the \$9.1 billion; in other words, a figure which covers not only payments to families but food stamps, costs of training, day care, and so on.

Senator BYRD. Everything.

Secretary RICHARDSON. So we will have to supply this. It would certainly be on a full-year basis somewhat higher than \$9 billion.

Senator BYRD. Well, would you supply that for the record, and would you send a copy to my office, also?

Secretary RICHARDSON. I would be glad to.

Mr. VENEMAN. Did you want medicaid included in that, Senator?

Senator BYRD. Yes.

Mr. VENEMAN. Medicaid as well.

Senator BYRD. That is part of your new program.

Mr. VENEMAN. Well, no. These projections would be based upon the existing program, the current program. Now we have not projected the new insurance concept, but—

Senator BYRD. Make it on your existing program and that would make the figure comparable.

Mr. VENEMAN. No, because medicaid is not included in the one you just gave, the \$9.1 billion, which includes payments to families, direct grant payments, plus administration, plus services.

Senator BYRD. Plus food stamps.

Mr. VENEMAN. No, that is not in the—

Senator BYRD. That is in the \$9.1 billion.

Mr. VENEMAN. That is in the cost of administration—\$0.4 billion is the figure, is it not?

Senator BYRD. Right.

Mr. VENEMAN. That is food stamps and administration.

Senator BYRD. Is not the increased cost of medicaid in the item listed "Other increased costs," \$0.9 billion? What I am trying to do is to get a figure comparable to your \$9.1 billion figure.

Mr. VENEMAN. For 1972, we will submit that.

Secretary RICHARDSON. We will have to supply that, because the figures we have readily at hand are not broken out in quite that way.

Senator BYRD. Would you also supply for the record a reconciliation of the past and present cost estimates?

Secretary RICHARDSON. Yes. I would also, in that connection, Senator, undertake to supply for the record an analysis of the \$900 million differential between earlier and later estimates insofar as this reflects changes in the scope of the food stamp plan and increased estimates under current AFDC and adult category coverage.

(Information supplied by the Department on the questions raised by Senator Byrd follows:)

The 1971 and 1972 estimated Federal costs of welfare programs are as follows:
 (Estimated Medicaid costs are shown on separate line not included in total.)
 COMPARISON OF COSTS OF MAINTENANCE PAYMENTS, RELATED SUPPORT ACTIVITIES, FOOD STAMPS, AND
 MEDICAID UNDER CURRENT LAW AND ADMINISTRATION PROPOSALS

(In billions of dollars)

	Fiscal year 1971			Fiscal year 1972		
	Current law	H.R. 16311 as amended	Difference	Current law	H.R. 16311 as amended	Difference
Maintenance payments:						
Payments to families:						
Direct payments.....	(0)	\$4.2		(0)	\$4.1	
Payments to States.....	(0)	.8		(0)	.9	
Subtotal.....	\$2.8	5.0	\$2.2	\$3.2	5.0	\$1.8
Payment in adult categories.....	2.2	2.8	.6	2.4	3.0	.6
Savings clause.....	(0)			(0)	.1	.1
Total maintenance payments....	5.0	7.8	2.8	5.6	8.1	2.5
Related support activities:						
Administration.....	.3	.6	.3	.3	.6	.3
Training.....	.1	.3	.2	.1	.3	.2
Child care.....	.1	.5	.4	.1	.5	.4
Total, related support activities..	.5	1.4	.9	.5	1.4	.9
Total, maintenance payment and support activities.....	5.5	9.2	3.7	6.1	9.5	3.4
Food stamps.....	1.2	1.6	.4	1.9	2.3	.4
Grand total.....	6.7	10.8	4.1	8.0	11.8	3.8
Medicaid ²	3.1	3.2	.1	3.4	3.5	.1

¹ Not applicable.

² For illustrative purposes, assumes title XIX programs remain unchanged.

Note: Food stamp costs for both current law and H.R. 16311 assume enactment of the administration's proposed food stamp legislation. Additionally, since the fiscal year 1972 President's budget has not been prepared, estimates for training and child care are based on a level cost assumption.

RECONCILIATION OF PREVIOUS AND CURRENT ESTIMATES OF THE NET COSTS OF THE FAMILY ASSISTANCE PLAN

Federal costs of H.R. 16311, with the revisions suggested by the Administration, are estimated to be \$4.1 billion in excess of what the FY 1971 cost would be under existing legislation.¹ This represents an increase of \$400 million over the net costs of the House-passed version. The increase results chiefly from the proposal to provide for joint administration of the food stamp program with the Family Assistance Plan. (A much higher degree of utilization can be expected if recipients can purchase food stamps from and through the same process as they obtain cash assistance.) Costs under H.R. 16311 as amended, and under current law are compared in the attached table.

These estimates are not directly comparable to earlier ones, especially those that have been presented for Fiscal Year 1969. When *net* costs are presented, those for different years reflect different actual (or estimated) costs under existing legislation as well as differences in what total Federal costs would be under the Family Assistance legislation. Federal costs under current legislation have shown a marked increase over the last few years and are projected to continue increasing. In contrast, costs under Family Assistance are estimated to have a much slower rate of increase. The combined effect is a decline over time in the estimated *net* costs of Family Assistance.

There are three additional reasons why the estimates recently submitted to the Senate Finance Committee should not be compared directly to estimates published earlier: (1) Components of the proposed Family Assistance Act have varied as it has moved through the legislative process; (2) Estimating procedures

¹ Most of the cost estimates are provided for FY 1971 rather than FY 1972, so that consistent estimates of the impact on State costs and caseloads can be presented. The State-by-State figures require projections of current program costs and caseloads from the individual States to serve as benchmarks. These projections are presently available only for FY 1971.

are continually being updated and improved; and (3) Estimates of the costs of welfare under present legislation have been increasing with more current reports from the States.

All of these factors are relevant in reconciling the differences between estimates appearing in the House Report and those recently presented to the Senate Finance Committee. For example, the following table compares two estimates of payments to families.

COMPARISON OF 2 ESTIMATES OF FISCAL YEAR 1971 COSTS OF PAYMENTS TO FAMILIES

(In billions)

	Estimates appearing in—		
	Senate committee print	House report	Difference
Gross payments to families.....	\$4.1	\$3.8	\$0.3
Adjustment for increasing unemployment.....	.1		-.1
Subtotal.....	4.2	3.8	.4
30-percent matching of State supplemental.....	.8	.8	
Total Federal cost of payments to families.....	5.0	4.6	.4
Federal share of AFDC payments.....	-2.8	-2.5	-.3
Costs of payments to families attributable to H.R. 16311.....	2.2	2.1	.1

¹ Gross payments are total payments to low-income families under pt. D.

The estimate of the *total* cost of payments to families increased by \$400 million. This increase can be attributed to the use of more current data and improved estimating procedures as described in pages 17 through 22 of the Senate Committee Print as well as certain proposed changes in the legislation although the latter are less significant in explaining cost differences. (In fact, a good part of the increase derives from the adjustment in the CPS data that is described on page 22.) The striking thing about the table, however is that the estimated *net* cost is virtually the same. This is because the projection of Federal costs of AFDC payments in FY 1971 has increased in the last months. Both the projection appearing in the House Report and its counterpart in the Senate Committee Print were taken from what were then the latest available estimates from the States.

As presently computed, estimates of gross payments to families are in no way tied to projections of AFDC and do not change as the latter are updated. In contrast, the estimated Federal share of adult category costs with the Administration's proposals do change as projections of the current program are revised. In the adult category, then, a change in the estimated *net* cost due to the Administration's proposal was more offset by applying it to a more recent—and higher—estimate of costs under current law. This is shown below.

COMPARISON OF 2 ESTIMATES OF 1971 COSTS OF PAYMENTS IN ADULT CATEGORIES

(In billions)

	Estimates appearing in—		
	Senate committee print	House report	Difference
Additional cost due to proposed changes.....	\$0.6	\$0.7	-\$0.1
Estimated cost under current law.....	2.2	2.0	.2
Total cost.....	2.8	2.7	.1

One objective of the preceding discussion has been to demonstrate that changes in estimating procedures, conversions to more current data, and the use of updated projections interact in different ways in determining the estimated net costs of H.R. 16311. But beyond this, and as indicated earlier, there have been

changes in the proposed legislation which can also affect cost. Such changes can cancel each other out in terms of their cost impact. For example, H.R. 16311, as passed by the House, differs in several important ways from the Administration's original proposal, but the costs remained the same.¹ This is illustrated below.

NET COST COMPARISON: INITIAL ADMINISTRATION PROPOSALS VERSUS H.R. 16311

(In billions)

	Estimated 1968 costs of—		
	Initial administration proposal	H.R. 16311	Difference
Payments to families.....	\$3.0	\$2.6	-\$0.4
Payments to States.....	.1	.4	.3
Increased costs of adult categories.....	.4	.5	.1
Training and day care.....	.6	.6	.....
Administration.....	.3	.3	.....
Total.....	4.4	4.4	0

Other than its proposals regarding food stamps, the revisions in H.R. 16311 suggested by the Administration are far less significant than the kind of change that produces the different figures shown above. Also, the proposed revisions interact with one another so that their combined impact on costs is not simply the algebraic sum of their individual impacts taken one at a time. Still further, the changes were generally incorporated into the estimating procedures as these were being revised and up-dated. For these two reasons, it is not easily possible to quantify the precise extent to which the proposed revisions alone explain the differences in cost estimates.

The difference in estimated costs of H.R. 16311 between those that appeared in the House Report and those that are presently before the Senate Finance Committee have understandably caused confusion. The preceding discussion has attempted to show that no factor can alone explain the differences. A number and variety of factors must be considered including changes in data, improved estimating procedures, and more current projections of current program costs, as well as changes in the proposed legislation. Only the most thorough and time consuming analysis could fully attribute the exact impact on the cost estimates to each single factor.

Senator BYRD. Just one additional question. Mr. Dan Pettengill, a noted insurance company executive and actuary, who has been on a number of your advisory boards, has questioned the \$500-a-year cost estimate for your health insurance plan for needy families.

He says the costs would be approximately \$900 instead of \$500. Looking at the chart for New York City, which has \$1,153, would that indicate that, perhaps, Mr. Pettengill is closer in his estimates than, perhaps, HEW has been?

Secretary RICHARDSON. Well, the key question here, Senator—and I think this is very useful to have this point brought out—is the question of the scope of coverage. Of course, a combination of the benefits available to a family will determine the premium.

The \$1,153 in New York State buys a lot of medical care, substantially above, for example, the scope of the benefits provided under the medicare part A program alone, and is way above the average level covered by medicaid in most other States.

The \$500 premium that we suggested as an illustrative figure would be above the figure for medicaid in all but a very few States today.

¹ Page 43 of the House Report contains a discussion of these changes.

So the question is where, given available Federal funds, and in the light of what other means there are to supplement the basic Federal health insurance coverage, is a fair point at which to decide this much should be covered under a Federal program, and the rest should be covered in some other way.

It is possible in New York State, for example, that New York would supplement the Federal program. As it is now, of course, that \$1,153 figure is a combined Federal-State figure, and it is possible that the State would supplement the basic Federal medical coverage in the same way they would be required to supplement the basic income maintenance coverage.

It has been pointed out to me that of that \$1,153 figure in New York, the Federal share is \$577. So to protect nationwide a \$500 figure per family seems, for the present, a fair average figure to use for basic Federal coverage.

Senator BYRD. Your program would be considerably less extensive in scope than the New York plan, I assume?

Secretary RICHARDSON. The basic minimum coverage provided with Federal funds alone would be, yes.

Senator BYRD. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Secretary, I believe you were not scheduled to be present tomorrow. I personally had planned to be out of town tomorrow, myself, so unless there is objection from the committee I am going to suggest that we stand in adjournment until Tuesday.

Secretary RICHARDSON. Do I understand, Mr. Chairman, would you be planning to resume with the subject of services amendments or to continue with —

The CHAIRMAN. I would think we would go to services amendments unless someone cares to enter into further discussion on this.

Senator CURTIS. I have a few questions on this, but I do not care about the order.

Senator WILLIAMS. It won't take long to clear this up. Even if it does, then we will proceed the other way.

Secretary RICHARDSON. All right. Thank you very much.

(Thereupon, at 1 p.m. the hearing recessed, to reconvene on Tuesday, July 28, 1970, at 10 a.m.)

THE FAMILY ASSISTANCE ACT OF 1970

TUESDAY, JULY 28, 1970

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10:10 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Anderson, Talmadge, Hartke, Harris, Byrd, Jr., of Virginia, Williams of Delaware, Curtis, Miller, and Hansen.

RECENT COURT DECISIONS AND THE RAPID GROWTH OF AFDC PROGRAM

The CHAIRMAN. The hearing will come to order.

Mr. Secretary, I am very much interested in understanding why we have experienced such a rapid growth in the AFDC program. It has been my impression that court decisions have been playing a major role in this. The report of the presentation made by your Department, for the record, for the House Appropriations Committee supports this impression.

On pages 54 and 55 of that hearing, it is stated that the decision of the U.S. Supreme Court prohibiting duration of residence requirements has already affected case loads. Forty States at the time of the issuance of the decision had some form of duration of residence requirement. The removal of residence requirements may have added about 150,000 in AFDC and 20,000 in the adult program.

In regard to the Supreme Court decision in the man in the house, you stated: The man in the home decision following *King v. Smith* has had some impact on the caseload. At the time of the decision, June 17, 1968, there were 20 States that had a man in the home statute or administrative regulations which were affected by this decision. It is estimated that about 365,000 assistance recipients may be added.

Mr. Secretary, how would you assess the impact of these and other court decisions on the caseload? Would you say the court decisions might represent the single major cause of the increase in loads in these decisions?

For example, I understand that AFDC had 8,376,000 recipients in February, 1970 and 7,645,000 in 1969, an increase of 731,000.

STATEMENT OF HON. ELLIOT L. RICHARDSON, SECRETARY OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY ROBERT PATRICELLI, DEPUTY UNDER SECRETARY FOR POLICY, HOWARD A. COHEN, DEPUTY ASSISTANT SECRETARY FOR WELFARE LEGISLATION, STEPHEN P. SIMONDS, COMMISSIONER, COMMUNITY SERVICES ADMINISTRATION, SOCIAL AND REHABILITATION SERVICE, AND CHARLES E. HAWKINS, SPECIAL ASSISTANT TO THE ADMINISTRATOR FOR LEGISLATIVE AFFAIRS, SOCIAL AND REHABILITATION SERVICE

Secretary RICHARDSON. Certainly, this has been a very significant factor, Mr. Chairman. The figures you just gave, for example, which touch on the impact of the "man-in-the-house" decisions, suggest that some 365,000 recipients may be added because of them. They suggest that the court decisions are a very major factor. I am not certain that I could say that this is the single most important factor.

The number of eligible families has increased and a part of the growth is certainly attributable to that. Another part of the growth is attributable to a more active effort by various people and organizations to create awareness of the terms of eligibility. Families who were not aware that they were eligible for benefits have been applying. But I think it is fair to say that a large part of the increase is attributable to the court decisions.

WORK INCENTIVES

The CHAIRMAN. Now, Mr. Secretary, I was just looking at this chart. It indicates that with zero earnings, in New York State, a four-person family—that would be a mother with three children—would have a total of \$6,210 of income if you includes total net money and in-kind assistance such as public housing, food stamps, as well as medicaid payments. Now, if we were trying to phase that out over—by reducing the person's welfare by \$1 for every \$2 earned, and that would be the same effect of the 50-percent tax rate, simple arithmetic would indicate to me that that person would have to be making \$12,420 a year in income to phase that much assistance out. In other words, she would have to be making \$12,000 a year in income to phase out that much assistance if you are phasing out by reducing benefits \$1 for every \$2 earned, would she not?

Secretary RICHARDSON. Yes, she would, Mr. Chairman. And this illustrates very vividly the point I was trying to make the other day with respect to the problem of raising the break-even point, if an effective 50-percent tax rate is applied to the whole combination of benefits, income, and in-kind. This is why, in turn, when we sought to eliminate the disincentives reflected in the income notches, which result when a family crosses a particular eligibility threshold, the only way we could do it without raising the break-even point in the light of all these benefits was to reduce the aggregate percentage of earnings retained.

And this was why, in turn, I also pointed out that a distinction should be made between the break-even point and the incentive rate that applies to cash and food stamps—a cash equivalent—on the one hand and those that apply to in-kind benefits on the other.

WORK TRAINING PROGRAMS

The CHAIRMAN. Well, the impressions of those who have worked in this area in connection with the work incentive program that is conveyed to me, and the others, has been that if the person will take training and stay with it and follow through, they will achieve employment that will take them off welfare and make them a citizen paying their own way in society and earning enough that they can do it.

Now, a big problem is that people start out and then take the training for a while and then drop out of it. At least, that is what the people who seem to know the most about the program tell me. It causes me to ask the question whether this program is not freezing into effect a lot of defects of the old program by providing too big an incentive for people not to stay with the training but to find some excuse to drop out of the program because they have so much available to them when they quit working.

Secretary RICHARDSON. We think, Mr. Chairman, that the total program before you will be more effective in encouraging people to take jobs and stay with them than the program we have had in the past. One important change is that referral to training would no longer be a matter for the determination of the local public welfare office. Instead, everyone, except those in clearly defined exempt categories, would be required to register in the first place, and then it would become the responsibility of State employment services, working with the Department of Labor to make training available to registrants. If a registrant refused to accept this training, he would be subject to penalty provisions. He would also be subject to penalty if, without justification, he dropped out of the program, or if when he completed it, he refused to take an available job.

We think that if you put these several things together—first, the requirement of registration; second, the requirement of accepting training; and third, the requirement of taking a job when the training is complete—secured by the penalty provisions for failing to do any of these things without justification, we think that the family assistance plan would provide a considerably more effective series of inducements and opportunities for work than the present system does. I should also mention the day care provisions here: they are designed to make it easier for a mother with school-age children in the home to take a job.

One more feature of the plan applies here. That is the provision of vocational rehabilitation for the handicapped persons who could, through rehabilitative services, be enabled to qualify for training and employment. Here again, if it is determined that an individual could benefit from such services and refused to accept services offered him, the penalty provisions would attach.

The CHAIRMAN. Well, Mr. Secretary, you perhaps know that I have labored long in this vineyard trying to find ways to put a lot of these people to work for their own benefit and for the good of society. Much of my efforts have been pretty well thwarted by Mr. Wiley's national welfare rights group. They were quoted in the press as saying that if people would just let them help, they can show those people how they can avoid going to work until hell freezes over. Now, in New

York State they have pretty well put that attitude into effect. They try to contend that they can show anybody how he can avoid forever going to work if he is on welfare, especially if it is a welfare mother. So far, they appear to be very successful at that.

When you are confronted with those kinds of militant organizations who are determined that those people will not go to work and are determined to show them how not to go to work and provide them with that kind of individual and political leadership, as they have done so effectively in New York State, how do you propose to get them to work when we have not been able to require them to work under the existing program?

REGISTRATION REQUIREMENT

Secretary RICHARDSON. I think the key here, Mr. Chairman, is the registration requirement. As the present work incentive program operates, as I understand it, the Labor Department does not have an opportunity to provide training or to look for a job for a welfare recipient unless the recipient is referred to the training program. And the referrals in New York City, particularly, have included a very small proportion of mothers of school-age children.

Under the family assistance plan, those mothers would have to register—unless they were physically incapacitated or they had pre-school children in the home. Once they had registered, then the rest of the program would be brought to bear, including training programs and the computerized job bank facilities of the Department of Labor.

REFUSAL TO ACCEPT WORK OR TRAINING

The CHAIRMAN. Mr. Secretary, it seems to me that a logical application of the principles that you and I both seem to believe in would suggest that where there is a child requiring support, we would be willing to subsidize either the mother or the father if he is willing to identify himself or someone who is willing to take the place of the father to help support that family. In many instances it being more desirable to subsidize a male in employment than to subsidize the female. But in any event, we would be willing to subsidize somebody if somebody would then be willing to go to work to help improve their situation.

But it does dismay me to see how utterly we have failed in spite of my best efforts. I must admit that I have been frustrated by some of those who would contend that it is voluntary for a person to go to work when they have the choice of living on public welfare.

But I would want to see how we are going to get these people working. That is the suggestion in this program, and we are seeking charts here, to indicate that they would not be keeping but about \$1 out of \$6 they are making. So unless we can demonstrate here that we have an incentive for these people to work, I think we are just misleading the public, to say that a mere registration means they are going to work.

For example, in material that your Department submitted in answer to a question that Senator Talmadge asked at the April hearing, the Department shows that 1,513 people were referred by the Labor Department back to the welfare agency in the April and

June 1969 quarter because of refusal without good cause to accept work or training. In the July to September quarter of 1969, the figure was 1,183. Yet on another table you submitted, you show only 22 cases closed between August and December 1969, because of refusal without good cause to accept work or training.

Why are only 22 cases, approximately 2 percent, cut off when 1,000 refuse to work or participate in training?

Secretary RICHARDSON. I would have to ask Mr. Hawkins if he can answer that question, Mr. Chairman.

Mr. HAWKINS. Senator Long, we have attempted to secure data on this. Most of those cases are in the State of California. There has been an argument since the beginning of the WIN program there between the employment agency and the public welfare agency as to whether the cases you mentioned were properly classified statistically.

Some of them have not been closed, but the State cannot tell us how many have and how many have not. Wherever they agree with the employment service's classification that refusal without good cause was present, they state that they have closed the cases. But they cannot give us numbers on them. Something like two-thirds of the cases in those numbers you cite are California cases.

The CHAIRMAN. Well, we did not intend for HEW to second-guess Labor on what was a good cause for turning down employment.

Now, apparently, you are doing that, are you not? In other words, to continue these people on the welfare rolls after Labor refers them back to you would have to mean to me that you are second-guessing the Labor Department. They are saying these people should be working and you are saying, well, notwithstanding that we will pay them the welfare benefits anyway.

Mr. HAWKINS. We are sure that the question is one of statistical classification, and not of any difference as to facts.

Secretary RICHARDSON. In any case, Mr. Chairman, the family assistance—

The CHAIRMAN. Well, can I understand this? Labor says, there is the job, there is the training spot. The guy said, I am not going to work. Now you continue him on welfare anyway. What in the devil is statistical about that?

Mr. HAWKINS. There would be nothing statistical about that. Presumably, that case has been closed, Mr. Chairman.

The CHAIRMAN. That is not according to the information I am getting here. Maybe you want to see what comparison you can make. It seems to me that in cases where the Labor Department is doing their job, welfare is not doing theirs.

Secretary RICHARDSON. Mr. Chairman, I think that the explanation may be that in these cases—and I cannot answer in statistical terms—as the work incentive program was set up, an opportunity remained for the local welfare department to determine the question of whether the job that the local employment service found for the individual was appropriate or whether the individual was appropriate for the job.

Thus, the local welfare department could overrule the employment service. As we have written the family assistance legislation, this determination would wholly be in the control of the employment service and the Labor Department people.

The CHAIRMAN. Well, now, here is the very language provided us by you :

These are cases closed because of refusal without good cause to accept work or training.

A mere 22 cases closed. Mind you, they are supposed to accept training or work and they are referred back because of refusal to accept either one. And of all of these being turned back, only 22 of them are closed. That I find difficult to understand.

Secretary RICHARDSON. In some cases—apparently it does not appear in these figures in what proportion of the families—in which there was a refusal to work, a benefit reduction, as distinguished from a closing of the case entirely, was made. In these cases the family, or the children, would have been continued on the roster of recipients.

In any event, insofar as the problem Mr. Hawkins described may have been one of disagreement between the employment service people and the welfare people, we would avoid it in the future by making the determination that there has been a refusal to take an available job without good cause, a determination under the control of the employment people. If that determination is made against the registrant, the reduction in benefits resulting from cut-off of that individual would be final; no intervention by the welfare authorities would be possible.

The CHAIRMAN. Now, you give us the information that you have, statistical and otherwise, on the number of cases in which the payments have been cut off insofar as the parent was concerned, but not insofar as the children were concerned. As I understand it, where this parent refuses to accept work even under what you are proposing here, they can still draw the money that would be attributable to the child's part, even though the parent can proceed then to live on the money that would be paid for three, four, or five children. Is that correct?

Secretary RICHARDSON. Yes, that is true, Mr. Chairman, but I think an additional point here needs to be clearly understood. That is that if a parent who is required to register for work does not take an available job—refuses without good cause to do so—not only is the family penalized by the loss of \$500 in cash benefits, but also that individual may be bypassed in the payment of the remainder of the funds. If he is a member of a family with both father and mother in the home and the father refuses to take the job, the benefit less \$500 is paid to the mother. If the family is female-headed an appropriate person other than the mother may be named to handle the money for the children.

In addition, in the case of the family with father and mother both in the home, in which the father refuses to accept an available job without good cause and \$500 is consequently deducted from the family's benefit, the registration requirement attaches to the mother. She has to register and the same process applies to her.

This is what seems to us the most that could be done effectively to apply penalties without harming the children themselves.

The CHAIRMAN. Now, if one of those parents has an income that is supplemented, either by selling lottery tickets, selling marihuana, peddling dope or burglarizing or engaging in some other kind of criminal activity, then theoretically, at least, we would not know about income. If they had to go to work full time, the time they would

spend working would have to be taken from the time that they would otherwise use to engage in crime. That being the case, then that would be a further negative factor, or further work disincentive, would it not?

Secretary RICHARDSON. You mean it would be a work disincentive for the individual; he would want to lose the job so he could go back to his dope peddling or burglarizing?

I suppose that is true.

The CHAIRMAN. Yes, if he is working 8 hours a day, there is that much of his working day that is not available to him to sell marihuana, peddle dope, burglarize, or mug somebody.

Secretary RICHARDSON. Yes.

Well, the positive side of that is that if we can use the whole system here, including the job training and so on, and finding the job to get him to work, that reduces his available time. It may be that he will look for a way of getting out of the job. Here we have, I think, to rely on the administration of the program by the employment service in a way that will in due course determine this fellow as a deadbeat, in which case he gets cut out. It may be necessary to determine at that point that he is not a suitable head of the family at all, which would, of course, at that point also bring to bear the various kinds of service, including child placement or foster home services, that are the subject of our other provisions before you.

The CHAIRMAN. Mr. Secretary, the thought that is occurring to me, and maybe we can work something out along this line—maybe we cannot—is that we might be a lot better off to provide that these people are just not eligible for welfare payments if they are able bodied and capable of working. We ought to provide enough subsidy for the jobs so that we could say, all right, there is the variety of jobs and there are some training slots available to you. My best impression is that in any rural area, there is a multitude of jobs. The average farmer is crying that he cannot get farm labor, for example, and the average filling station operator is crying that he cannot find any help to help him operate the filling station. If we said—and you have goodness knows how many housewives, some of whom are working, who are seeking to find someone to help them with domestic work. It seems to me that if we said, well, now, here are a great variety of things that you can do to make a living. If there are jobs available in the area, and a particular variety of jobs—more than one and more than one kind—under those circumstances, we just do not pay welfare payments if these people will not work.

Now, of course, we have to provide the day care for these mothers. But if we had the day care available to them, why should we not say that there are training opportunities and there are work opportunities available to you and if you do not take them, you are not eligible—not only you, but the children are not—none of you.

Secretary RICHARDSON. Well, I think we do say most of this to the person who is required to register for work and refuses to take the job. We do say, you are not eligible, you are cut out of the system, the total amount payable to the family is reduced by \$500, and the money that is paid to the rest of the family bypasses you. We have not felt that we could take the additional step that you have just suggested, of cutting out the whole family, because we have thought that this

would penalize children whose father's or mother's refusal to work is not their fault. If we did not continue to count them as eligible, we would have to think in terms of the much more expensive alternatives of institutionalizing them. This is why we think we have gone as far as we can in terms of the sanctions imposed for refusal to work.

Senator TALMADGE. Would the chairman yield at that point?

The CHAIRMAN. Yes.

Senator TALMADGE. Mr. Secretary, looking at the New York situation over there, the total available amount of money and services in kind would amount to \$6,210.

If you cut off the \$500, that would still leave \$5,710 remaining for that family without working or registering. You do not have much incentive under those circumstances.

I thank the chairman.

Secretary RICHARDSON. A lot of that money comes under the State supplement, and some of it is in-kind benefits.

The State, in these circumstances, would cut off the individual who had refused to work in determining the amount of the State supplement for that family. The remaining amount of benefits would be determined by the number of dependent children in the family. Let me state that the benefit figure of \$6,210 you cite does not take into consideration the administration's proposals relating to housing and food stamps. Including all the administration's proposals, the benefit level in New York would be \$4,264 if medical insurance premium value is included as part of family income and \$5,253 if housing is included.

Senator HANSEN. Mr. Chairman, would you yield at that point?

The CHAIRMAN. Yes.

Senator HANSEN. Mr. Secretary, if I understood you correctly, I believe you said that those total benefits which, in the example that Senator Talmadge cited, would amount—I mean cash payments and in-kind payments—to a total of \$5,710 in the event a person refused to register either for work or for a training program—a female-headed family of four in New York City. You said, if I understood you, that the State would—did you say would cut off its payments, its \$2,156 State supplement, too?

Secretary RICHARDSON. Under our bill, the State would be required to cut off that individual in determining family eligibility; a proportional reduction would be made in the State supplement of \$2,156.

Senator HANSEN. I want to be certain on this point. Let us say in New York City, in this illustration, if the person, the welfare recipient, refused to register, either for work or for a work training program, that your bill would require the State of New York to discontinue in its entirety the \$2,156 State supplemental payment?

Secretary RICHARDSON. No, Senator.

Senator HANSEN. What did you say?

Secretary RICHARDSON. I am sorry. I do not think I said that. I meant that it would reduce the State supplement.

Senator HANSEN. By what amount?

Secretary RICHARDSON. By the amount attributable to one person in the family.

Senator WILLIAMS. How much?

Secretary RICHARDSON. I do not know what the specific dollar amount would be in New York. Of course, it would depend on how the State figured the \$2,156.

Senator HANSEN. It is your regulation, is it not? Are you not proposing this requirement?

Secretary RICHARDSON. We are proposing the requirement that they reduce it.

Senator HANSEN. By what amount?

Secretary RICHARDSON. Well, it is by the amount of the State supplement that is attributable to that individual member of the family. A four-member family would have its benefits reduced to those of a three-person family. But whether they would be reduced by one-quarter of the previous benefits or by a larger proportional amount, I do not know.

Senator WILLIAMS. Would the Senator yield?

Senator HANSEN. Yes.

Senator WILLIAMS. Our staff says New York would reduce it, by their figures, \$124. That is assuming that the Federal would reduce theirs by \$500. That would be a total of \$624 reduction. That is under the House bill.

Now, do you accept those figures or do you have different figures?

Secretary RICHARDSON. I have no comparable figures here, Senator. I will have to ask that they be checked to see if they are correct.

It sounds as if the State benefit was recalculated on the basis of an \$1,100 income under the FAP benefit, rather than a redetermination made based on a reduction in family size to three. But I will need to check this.

The CHAIRMAN. Well, Mr. Secretary, before we find ourselves in a position that one out of eight in this country are on public welfare, even in times where you have jobs going begging all over this whole Nation, it does make me wonder how we ever got by without having all these people on welfare to begin with.

PATERNAL SUPPORT PAYMENTS

Now, I do not know how they did up in Massachusetts, but certain things do occur to me. For one thing, the situation here makes it very desirable for a lot of men to refuse to recognize their own children and for a lot of women to cooperate in not identifying those fathers. Now, that is happening, so far as I am able to determine. I would like to know if you are aware that that is happening under this program?

Secretary RICHARDSON. I believe it is, sir. We have no adequate statistical measure of this for obvious reasons, but I am sure it is happening.

The CHAIRMAN. The old-fashioned way of handling that, back before we had this welfare program, was to require that father to help support those children. If he would not pay for the support of the children, then the mother would have a suit filed to require him to help support his children. If he refused to work to help support them, and refused to pay any alimony, for lack of any better remedy, you would then put that father in jail. It was not all that comfortable sitting around in jail, so someone would put him out there working

on a hard rockpile, if need be, to provide some incentive to go to work.

How did you do it in Massachusetts?

Secretary RICHARDSON. In Massachusetts, if we can find the father, we require him to contribute to the support of his family. Usually this is an amount determined in support proceedings in court. The court orders him to make these payments. If he is employed, his wages are attached to provide the money. If he refuses to obey the order of the court, he can be found in contempt of the court. And at that point, he can be jailed as a result of recalcitrance in refusing to do what he is ordered to do.

The problem, of course, in the first instance, is finding him. And, as your questions brought out the other day, we have in this bill tried to strengthen the means of doing this, as well as to bring to bear the means of reaching any Federal funds that may be due the deserting father.

At any rate, I would just say this, Mr. Chairman: I do not think there is any disagreement between us on the importance of creating work incentives as strong as we can devise. I do not think there is any disagreement between us on the desirability of reaching the fathers who should be responsible for the support of their families and making them pay what they owe their wives and children.

I do not think there is any disagreement between us on the desirability of having the reduction of payments apply to the State supplement as well as the Federal benefits.

I think beyond this, the question is whether this committee feels that provisions we have in the program are as effective as they can be along these lines, taking into account the welfare of children and the question of how far we can appropriately go in enforcing sanctions.

But these are things on which we will want to work very closely with you as you get to the stage of making specific amendments to the bill.

WORK INCENTIVES

The CHAIRMAN. I just want to wind up my part, Mr. Secretary, by making this clear: I favor helping all poor people who are willing to help themselves. But I very much fear what happens when we provide far too generously for those who, for their own reasons, decline to do something for society in return for what society is doing for them.

Now, under this bill, 35 percent of the entire population of the State of Mississippi would be drawing welfare payments from the Federal Government. Notwithstanding that, I do not see any enthusiasm coming from Mississippi for this program. The reason is that those people representing Mississippi, representing these very people here who theoretically will benefit, fear that they are going to have grave difficulty ever getting people to work in Mississippi once one-third of the whole population is on welfare, with the rest of them saying, why do we not quit work and go on welfare, too? So this type of thing is wrong with a lot of people who in effect would be beneficiaries of it.

Secretary RICHARDSON. I think I ought to emphasize that most of the people who would be made eligible in Mississippi are families with a working father who is now earning a very low-cash income.

As wage levels increase, as the economy of the area improves, the proportion of families on the rolls will go down. This is why we show

in our projections a declining number of people receiving Family Assistance Plan benefits.

The question as to Mississippi or any other State with a large proportion of low-income people is really the one we dealt with in the beginning: on balance, is it better to aid the families of the working poor, or is it better to perpetuate a situation in which the father has to be out of work, or out of the house, before his wife and children can get any benefits?

We think that we are more likely to encourage people to work in the long run if we eliminate that discrimination between the families of the working poor and the families in which one is working, or which have no father. This is why we have proposed a program that has a minimum benefit level for a family of four of \$1,600, which is what would apply to most of the families we are talking about in Mississippi, since they would not receive any State supplement, for they are not on AFDC now.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. Mr. Secretary, speaking of work incentives, and we are all for that, as the Chairman pointed out, I am interested in this chart that we have over here which is the amended version of H.R. 16311, as amended by your Department.

Now, just to pick up where we left off the other day, the \$7,000 man has a total of \$6,209 total benefits. That is money and in-kind. Now, under this bill, we have a training program and a motive to these men to improve their positions in life wherever they may be.

Now, if that man improves his talents and can persuade his boss to raise his salary to \$8,000, he gets \$6,781, or an increase of about \$572. But on the other hand, if he can persuade his boss to think he is a little less competent than he was and get a reduction in his salary to \$6,000 he can get an increase in his income of \$1,300 because he gets \$7,512. In other words, he gets \$1,303 increase in his net expendable income, including medicare and so forth, if he can get a reduction in salary, whereas he only gets \$500 increase if he gets an increase in salary.

Now, that is a little hard for some of us to understand. Maybe you want to explain it.

If I might add, it was called to my attention particularly, and we mentioned this before, that this letter carrier in New York, with a family of four, who is supporting his family, has an income of \$6,781. Out of that, he has to pay his own medical insurance, whereas the welfare recipient with a family of four earning \$2,000 has a net of \$6,944, \$163 more on welfare than he does carrying the mail. Where are these incentives and how do you justify that?

Secretary RICHARDSON. Senator Williams, I think several comments need to be made in response to your statement. I would emphasize again that the chart applies to female-headed families. Second, the benefit scales involved here are those which apply in New York City, which had pretty high benefit levels for AFDC, as shown by the fact that even if this female-headed family of four has an income of \$6,000, it still receives \$459 under the State supplement program.

I would also point out that at that income level, the family would be entitled, on an average basis for such families, to \$1,153 worth of medical payments to hospitals, doctors, and so on. But this is an average benefit which is paid to vendors of medical services: it does not go

to the family, and does not represent cash income available to the family. That total amount, however, is cut off at the next income level, \$7,000.

The family would also be eligible for a \$315 family housing bonus, which represents, in effect, the difference in the rental they would be paying in subsidized housing from the rental they would pay in equivalent housing outside a housing project. The proportion of families who would get that benefit, of course, is rather low.

In any event, we would strongly agree that the \$1,300 drop that is shown on that chart—even considering that average medicaid benefits are not paid to the family—constitutes a serious disincentive, and this is why we have eliminated it in the recommendations we made. This can be seen in the tables which include the proposed changes in the food stamp and health programs.

Senator WILLIAMS. Just a minute, before you get to that: To what extent have you eliminated it? And this is the revision here. What is this, an amended amended version, or something we have not gotten before the committee?

As I understand it, the chart that we were talking about—not the one that you are pointing to, but the one we were talking about—could we move it over here so it can be seen, too—is the amended version which is before the committee and submitted by you after the revisions, is that not correct?

These statistics, these \$6,209 to a \$7,000 man is based on the assumption that we would approve this bill as you send it down to us with the House changes. Is that not correct?

Secretary RICHARDSON. Yes. The chart we have just been talking about?

Senator WILLIAMS. That is correct.

Secretary RICHARDSON. Yes.

Senator WILLIAMS. Now, you go ahead and describe this next chart. But you have not eliminated it in this chart here that we have before us. If we go back for a moment and look at the cash items alone. Forget the medicare. The woman in New York with \$6,000 has food stamps and cash, which are the equivalent of cash, of \$6,044. If he gets a \$1,000 raise or works a little overtime and earns \$1,000 more, he ends up with \$15 less, even on that, plus his loss of medicaid and a loss on part of his housing.

Is that not true?

Secretary RICHARDSON. Yes.

Senator WILLIAMS. Now, what is this next chart?

Secretary RICHARDSON. The question then is what are the differences between the charts, isn't that right?

Senator WILLIAMS. Well, yes, and what that represents. That is something that is coming down out of the blue yonder next year, is that correct?

Secretary RICHARDSON. Well, not all of it; no, Senator. The only thing that is coming next year is the family health insurance plan.

As you see, the major difference between the two charts is in the dollars shown for medical insurance bonus. In the first chart, it is a constant amount of \$1,153 up to an earned income of \$6,000, and is sharply cut off after \$6,000.

Now, in the second chart, what we see is a declining medical insurance bonus, so that as earned income goes up, the medical insurance bonus goes down, although the medical insurance coverage of the family remains the same. This was done in order to eliminate the sharp cutoff shown in the earlier chart. This will require new legislation which we plan to submit to the Congress next February.

The other change is the change in the food stamp bonus, which as you see, cuts off when the family receives income of roughly \$4,200.

So these two things, taken together, eliminate the notch that you pointed out for the family on the earlier chart. The result is a fairly shallow rise in total income. But there is no point at which the family gets less income when it earns more than it had before.

Senator WILLIAMS. Well, I would like you to leave that up for a moment. I like that shallow water but I do not want to get drowned in it.

Now, just so that we understand each other, it is the administration's plan, that we will cut off the food stamps and surplus food in New York City for anyone who is earning any money whatever, is that correct?

Secretary RICHARDSON. No, it is not a question of whether they are earning any money.

Senator WILLIAMS. Well, that is a zero, and if they earn \$720—if they are earning nothing under this plan, as I read this chart—and you correct me if I am reading it wrong—they would get \$154 in food stamps. If they earn \$720, they get zero, or anything above.

Now, is that the plan and does that cover food stamps and surplus food both, in that column?

Secretary RICHARDSON. Yes.

Senator WILLIAMS. Well, then, it is a correct conclusion that your plan is to cut off surplus food and the benefit of the food stamps to anyone in New York who has any earnings whatsoever, is that correct?

Secretary RICHARDSON. This is true of female-headed families, Senator. Male-headed families could be earning up to \$4,200 and still receive food stamps in New York.

Senator WILLIAMS. Well, it was your predecessor's suggestion to use female-headed families and I am going to ask you to compare the same charts with male-headed families, because I would like to see how that works. It may be better. So I will put that request now for similar charts on the same States for male-headed families of four, so maybe that eliminates all the problem and maybe all we have to do is find the male.*

But on the female-headed families, the food stamps are going to be eliminated—is that a correct analysis of that chart—next year?

Secretary RICHARDSON. When income reaches \$4,200, the family would no longer receive any food stamp bonus.

Senator WILLIAMS. Well, that is income—that is your earnings over a year, and as I gather food stamps would be eliminated because even with \$720 net income under this bill, he would automatically have \$4,476 expendable cash income on a \$720 earnings; is that correct?

*Tables 17-28, app. D, p. 1234ff, show combined benefits under selected income-tested programs for male-headed families in 4 cities, using (1) current law, (2) Administration's June Revisions of Family Assistance, and (3) Amended Family Assistance and housing with current law food and Medicaid.

Secretary RICHARDSON. Yes; she would.

Senator WILLIAMS. She. Now, another point that I am very much interested in is the medical insurance benefits. This is Government cost on this chart, I guess, is that correct?

Secretary RICHARDSON. Yes.

Senator WILLIAMS. Now, you are going to reduce the Government costs on medicaid to \$354 and graduate it down \$800?

Secretary RICHARDSON. At the income level of \$3,756; yes. The premium value would be \$500.

Senator WILLIAMS. Now, over on this chart in the middle, as I understand, the average medicaid benefits that are being paid to families of this type now is currently \$1,154. Is that correct?

Secretary RICHARDSON. That is an approximate figure; yes.

Senator WILLIAMS. Does that mean what medicaid benefits that this family is now getting are going to be taken away from them? I think you agreed you are going to cut out the medicaid benefits from \$1,153 down to \$354, an \$800 cut for no earnings, and a man loses medicaid benefits as indicated. What is he getting today that he will not get when this new plan goes into effect?

Secretary RICHARDSON. Well, I think it needs to be pointed out, Senator, that the \$1,154 average medicaid payment to an AFDC family of four is a combination of 50 percent Federal and 50 percent State money. The medical insurance bonus we have shown in the second chart is the amount of Federal money only. The average Federal share in New York now is \$577. And we would propose under our plan to provide in effect basic health insurance of \$500. This would cover basic things. This gets to the direct question you asked, like how many days of hospital care, what out-patient services, and physicians' services, together with—

Senator WILLIAMS. I understand that. Perhaps you misunderstood. What does it eliminate from the present coverage—anything?

Secretary RICHARDSON. Well, New York State has a very comprehensive medicaid program which covers drugs, eyeglasses, false teeth, an indefinite number of days of hospital care, very comprehensive nursing home services, and so on.

Our basic Federal health insurance program would have limitations on these things which the State might then be required to supplement.

This chart, it should be added, does not reflect whatever New York State elected to do to build on the basic Federal coverage.

Senator WILLIAMS. I am still not clear on this.

Now, just take the party with \$4,000 income. You are going to contribute \$8?

Secretary RICHARDSON. Yes.

Senator WILLIAMS. Today you are contributing \$576 or \$577. And you are going to give that man, as you say, a \$500 insurance policy at Federal expense—not give it to him, but that is the gist of it. And he is going to pay part of it. Where is he going to pay that? Is that going to be deducted from this amount over here?

Secretary RICHARDSON. Yes.

Senator WILLIAMS. For example, if you put \$500 in that column in medical insurance, and I understand that is theoretically what you are putting in there, Federal, is that correct?

Secretary RICHARDSON. Well, you can consider it as coming out of the Federal pocket.

Senator WILLIAMS. The Federal Government and then if the State matches it, it will be \$1,000?

Secretary RICHARDSON. Yes.

Senator WILLIAMS. We will forget the \$153 for a moment. Where does that \$354 come from? Does it come as a deduction from the \$3,756? Does it mean they are going to get less over here or are you going to raise the left hand column so they will have enough to pay it, or how are you going to adjust that?

Secretary RICHARDSON. It comes out of the left hand columns: the individual is paying an increasing share of the premium cost as his earned income rises.

Senator WILLIAMS. Do I understand—how much will come out of that left hand column of the \$3,756 to cover that zero party, that is getting—you carried over that?

Secretary RICHARDSON. Yes.

Senator WILLIAMS. How much?

Secretary RICHARDSON. \$146, I believe.

Senator WILLIAMS. That with \$146 less. The rest will be proportionately less over the years is that correct?

Secretary RICHARDSON. Yes.

Senator WILLIAMS. When you get down to \$4,000, you should really take off \$500 over here, is that correct?

Secretary RICHARDSON. Well, no, the \$500—

Senator WILLIAMS. Well, you are giving him \$8.

Mr. PATRICELLI. If you subtract the cash from one column, Senator, what you have to do is put \$500 in the other column. What we elected to show was the bonus, as we did with food stamps—

Senator WILLIAMS. I realize what you have elected to show. That is the reason I am asking these questions. Assuming Congress passes this bill, those who are in that income in New York City are going to expect that they will start getting these cash payments over here on the left. Then, after they start getting them and 3 months later, Congress passes your medicaid revision as you have it in your mind—I do not quite understand it, but I am sure you do. But assuming they pass it in that manner, it means you will have to go back and reduce the benefits they are then getting, is that correct? If it is, is it wise to start a program with a higher cash payment than you or the administration intends to continue beyond just a few months?

Secretary RICHARDSON. I think it is important to identify the fact that there is an increasing family contribution to the cost of health insurance as earned income increases. I think it is important also to make clear that the only other way to do this would involve a perpetuation of a work disincentive. But you are correct, Senator, that if the Congress enacts the family assistance plan now and later enacts the family health insurance plan on the basis we have proposed it, the result would be a proportional increase in cash contribution by the family to health insurance coverage.

Senator WILLIAMS. In other words, if you do that, a man with \$4,000 would have approximately \$5,081 instead of \$5,587? \$5,079, to be exact, is that correct?

Secretary RICHARDSON. This is net here. The figures on that chart are correct in the sense that the only health insurance figure shown is the net bonus, after contributions. The cost to the family has already been taken out of the cash income.

Senator WILLIAMS. Now, repeat that. I did not quite get it. You say that it has already been taken out of the cash income? If it is, I would like you to clarify that.

Secretary RICHARDSON. My understanding, Senator, is that you have in effect an amount paid by the family toward the cost of the health insurance on the one side and an amount paid by the Government toward the cost of the same coverage on the other. The net bonus to the family is higher at lower income levels.

Senator WILLIAMS. Mr. Secretary, perhaps it is my inability to understand figures. But over here on this chart in the middle, where you are still continuing the present medicaid program with benefits of \$1,153, you have in the fourth column the total money and cash in kind that goes down the line.

Now, over on the chart where you are going to deduct from the cash income the payments for the medicaid, you have those same identical figures right down the line.

Now, my question is, and I want to get it straight, assuming that Congress passes the family assistance plan as it is before us and it goes into effect, these distributions start being made as would be under this law. Then assuming that 3-months later they passed your revised medicaid program or family medical insurance program, whatever you call it, on the basis of the figures you have in the chart. My question is, would it not result in a reduction in cash payments that were then being sent out, or, as an alternative, Congress or the administration would recommend an increase in the cash benefits to offset it so it would come out with the same answer on the right hand side of the column?

Secretary RICHARDSON. That is correct, Senator, it would have to be deducted.

Senator WILLIAMS. It would have to be deducted.

Now, then, since we all like charts, would you put in the record, at this point, the reductions that will be in the benefits that are proposed in the family assistance plan which you will recommend as a part of the medical insurance, the cash reductions that you will recommend?

Secretary RICHARDSON. We will do that, Senator.*

Senator WILLIAMS. And also the record should be clear that in addition to that, not only will there be reductions under this new plan, conceivably, in the cash benefits, but the complete elimination of all benefits as far as food stamps or surplus food in New York, and we are speaking of New York now. That would also be a part of the new program.

As I understand it, that would be likewise a reduction in their expendable income unless there were some change made in the family assistance rate. Is that true?

Secretary RICHARDSON. Yes; although as I pointed out the other day, New York State is adopting a food stamp plan in accordance

*The Department's response appears in appendix C, p. 1139ff.

with the schedules which are presently in effect, as distinguished from the commodities plan that they had before.

I think it also ought to be pointed out at this time Senator, that the situation which applies in New York City is not typical of most of the country; the New York medicaid program is very comprehensive and very expensive. The \$500 coverage that is contemplated under the family health insurance plan would represent a substantial improvement in medical insurance coverage in most parts of the country.

Senator WILLIAMS. Perhaps it would not, and I have not checked every State, but I have on my own run these computations through the four States that we were using as cases, and they would in three of the four. It would not in Arizona, but three of the four would be vitally affected in this, and what we are saying would be applicable to three out of four. So on a spot check basis, 75 percent. I am perfectly willing to run all the States, and I am sure the others will.

Secretary RICHARDSON. All except two States have medicaid benefits.

Senator WILLIAMS. Except Arizona and Alaska.

Secretary RICHARDSON. Yes; the two exceptions are Arizona and Alaska. But the net average medicaid benefit is substantially lower in almost all States than it is in New York. Consequently, the \$500 coverage proposed in the family health insurance plan is greater by that amount.

Senator WILLIAMS. Do you think that it is wise, because we are dealing with people here who are needy—otherwise, they would not be considering welfare—do you think it is wise for Congress, you might say here before this election, to pass a family assistance plan on the premise that it is going to give benefits when you know you expect to reduce them in a measure coming down immediately after the new Congress convenes? Do you not think we ought to get these benefits and get it clear where they belong if we are going to change them in January or February next year?

Secretary RICHARDSON. Senator, this is a question that has come up before, I think we do need to make a distinction between the measures required to reform the welfare system and those necessary for correcting inequities or disincentives that arise out of lack of coordination and the difference in aims between the welfare system and other forms of subsidy to poor families. We think that this committee can and should consider what needs to be done to reform the welfare system in the light of the testimony and the data now before it. Of course, the committee must keep in mind the interrelationships between those considerations and other programs. I do not believe, however, that the committee should delay action until all the other corrective measures that may be needed have also been taken.

ELIMINATING CURRENT LAW INEQUITIES

Senator WILLIAMS. Speaking of reform, we all have agreed, and that is why we are working on this, that the existing law does have many gross inequities. We recognize that. But also, is it not true that under the revision, with the grandfather clause that you recommended the other day, not a single welfare recipient anywhere in America

would lose any benefits under this plan as it is now—that he is now getting if it is enacted? Is that true?

Secretary RICHARDSON. It is true, Senator, that no one would lose substantially.

Senator WILLIAMS. So we are freezing in all the inequities that are in the existing program and then expanding beyond that. So when we speak of correcting inequities in the existing program, we are not really making a correction in the existing program, because we are freezing the existing program as it is and then expanding thereon.

Secretary RICHARDSON. I do not think that such a description is accurate Senator. It is true for families currently on the rolls assuming there is no change in their situation otherwise. But the primary elements of reform that are involved in the program are pertinent to the chairman's questions of a short while ago. They include the requirement of registration for work, the required acceptance of training, and the obligation to accept an available job at prevailing rates. These are significant elements of reform which are incorporated in the plan.

The coverage of the working poor is another principal reform. The recommendation to this committee embodied in the plan, calling for treatment of families in which there is an unemployed father and families in which there is a working father on an equal basis is a reform that eliminates what otherwise is an inequity.

All of these, we think, are significant reforms even though their effect does not have a radical impact on the particular level of benefits individuals now receive.

Furthermore the way in which the total benefit is derived is significantly changed. There would be a basic Federal floor on which the State can supplement. The resulting benefit may come out to be the same amount of money to an individual family, but we think the way that this is done is an improvement.

Another significant reform is embodied in the change from the current open-ended Federal obligation. The Federal Government, first of all, pays the entire basic family assistance plan benefit. Additionally, it would pay 30 percent of the State supplemental payment, but only up to the poverty level. Under present law, we are obligated to pay, on the average, 50 percent of whatever amount the State sets as the total share for the AFDC family.

These are all significant reforms, we think, which are needed now. We hope that this committee will agree with the House that they should be enacted now.

DESERTING FATHERS

Senator WILLIAMS. Well, many of those that you discussed deal with the administrative method of financing. But the Senator from Louisiana, I think it was, made the question the other day that, just using New York as an example, if a father became unemployed after this bill was enacted and there were unemployed fathers, he points out that as the staff has computed this, under the bill as passed by the House, if this unemployed father with no earnings, if he left the family, they would reduce it by \$624. But under the administration revi-

sion, if the unemployed father with no earnings deserts his family, his wife and two children, they would increase their benefits \$1,808. In other words, there is a \$1,800 premium in New York for family desertion.

Now, I wonder if that is, from a social standpoint, a step in the right direction?

I shall repeat it: The family of four, with the father, the mother, two children, and the father becomes unemployed after this bill is enacted, under the House bill, if he deserts the family, the reductions which you outlined earlier would be \$624. But they figure that under your revision, your revised bill that was submitted the last time, this family would gain the \$1,808, be \$1,808 better off if the father deserted the family than they would if he did not. Would you care to comment on that, and do you think that is an advisable proposal, a step in the right direction?

Secretary RICHARDSON. There are various alternatives, Senator, which we have very carefully examined and which are the subject of the more detailed exposition I propose to offer to the committee in explaining how we arrived at the position we have now. I would like to briefly outline it. We start out with a situation in which the family with an unemployed father can get full AFDC benefits. This means that he is considered unemployed even though he may be actually working as much as 35 hours a week. If he works 36 hours a week, the family becomes totally disqualified from any benefits. You must conclude that the situation which exists now with the coverage of unemployed-father families in New York City is itself an inequitable one. It creates disincentives to full-time employment because the family can lose all benefits if the father works an hour more.

A similar situation exists when there are two families side by side, one with a father working 40 hours a week, the other with a father working 35 hours a week. The family with the father working 40 hours a week gets no benefits at all. The family with the father working 35 hours or less may be covered by the whole range of AFDC and other benefits shown on the chart, and may have higher total incomes than the former family.

We thought that it was wiser on the whole to treat these two families on an equal basis so far as Federal payments are concerned. We further considered it wiser not to share in any additional State supplementation as to either of those families. We have provisions for a transitional period to take care of the family that would lose benefits and it is this transitional period that you have just pointed out. There is no way, really, within that transitional period of avoiding some problems which have the consequences you describe. If we knew how to avoid it, we would. If the committee can find a way of doing it, we would be very pleased.

Senator WILLIAMS. Well, this chart for the four States that we are referring to—New York, Illinois, Delaware, and Arizona—I shall ask that it be printed. Each one of them consistently shows that under the administration provision, there is a cash benefit to the family if the unemployed father will desert his family. That is something we have to take into consideration.

(The chart referred to follows:)

PAYMENTS TO FAMILY IF UNEMPLOYED FATHER WITH NO EARNINGS DESERTS

	Unemployed father, mother, and 2 children	Mother and 2 children if father deserts	Increase or decrease
Phoenix, Ariz.:			
H.R. 16311.....	\$2,208	\$1,836	-\$372
Administration revision.....	1,600	1,836	+236
Wilmington, Del.:			
H.R. 16311.....	2,172	2,004	-168
Administration revision.....	1,600	2,004	+404
Chicago, Ill.:			
H.R. 16311.....	3,252	2,964	-288
Administration revision.....	1,600	2,964	+1,394
New York, N.Y.:			
H.R. 16311.....	4,032	3,408	-624
Administration revision.....	1,600	3,408	+1,808

DETERMINING FULL EMPLOYMENT

Senator WILLIAMS. You mentioned the fact that under the rules, the father working so many hours is counted as not fully employed. I think you will find that is a regulation of your own Department which you can change administratively, without legislation.

I note you were critical of that. I assume that will be changed with or without the enactment of any legislation. There is here in the regulation, section 233, No. 100, definition of unemployment. It says that unemployment is designed in a way that requires States with unemployed father programs under AFDC to include "Any father who is employed less than 30 hours a week." The State may include any father who is employed more than 35 hours a week, and so forth.

Since this is a regulation of your own Department, and since you are critical of it, I assume that is something that can be corrected forthwith.

Secretary RICHARDSON. It could be corrected, but the result would still leave the disincentive that attaches to whatever the hours are. This is why we propose to go further and eliminate a Federal supplementation in these families altogether.

Senator WILLIAMS. I only point that out to point out that the discussion of 35 hours a week really had nothing to do with the problem that we are raising, because that can be corrected. But the problem does exist, and we hope to take care of it.

I do not mean to take up all the time. I have some more questions. If the Senator from Georgia wishes to go ahead, I shall come back later. But I do have more questions.

The CHAIRMAN. Senator Talmadge.

FINANCING THE REVISED BILL

Senator TALMADGE. Mr. Secretary, as I understand your estimated cost of the revised program, it will be increased \$4,100 million annually, which our staff and I feel is very conservative if we are to take the previous estimate of the HEW as a guide. We have found that they are always low rather than high.

Now, when Secretary Finch was before the committee testifying, I asked him where he was going to get the money to support this

program. He stated that it would be a trade-off, in other words, eliminate some other program to finance this one. I asked him if he wanted to finance it out of the deficit. He stated no. I asked you about it last week and your answer was not very explicit.

Now, when Secretary Kennedy was before the committee urging us to raise the debt ceiling, he estimated the deficit on the administrative budget this year at \$10 billion a year; for next year, as I recall, at \$11 billion. So the deficit for the two fiscal years will be \$21 billion.

Now, according to the morning paper, the deficit is estimated for the last fiscal year at about \$15 billion; the next fiscal year at about \$25 billion.

The President has severely chastised the Congress on quite a number of occasions for raising, in certain areas, specifically in education and hospital construction, his budgetary recommendations. Now, this committee has the responsibility for the management of the national debt, and also the responsibility in the Senate for raising the revenue to operate the country. As you know, we are undergoing severe inflation. Many people think that one of the principal causes of this severe inflation are the Federal deficits that we have had—I think we have had a balanced budget only twice in the past 18 years.

We are considering this program. I think the administration ought to be candid enough to tell us whether they are going to finance it from deficit expenditures or whether they are going to ask for the necessary taxes to finance the program, and if so, what sort of tax proposal is going to be made to finance it. I would like you to comment on it again. Frankly, I hope you will be a little more candid than you were last week.

Secretary RICHARDSON. I am sorry, Senator, that you do not feel that I was candid. I simply felt and feel now that to identify the particular revenue source out of general revenue for a given program is an impossible thing to do. I might as well answer you by saying that this program is of such urgent priority that we will pay for the increased cost out of the first \$4,100 million collected by the Internal Revenue Service for the year in which it becomes effective, and it will be somebody else's program that puts us into the red.

Senator TALMADGE. I do not think the administration can have it both ways, Mr. Secretary. I do not think you can criticize the Congress for raising the education and hospital budget estimates and then come in and insist that we spend \$4,100 million more annually in welfare benefits and then criticize us later for some other benefits.

Secretary RICHARDSON. I think what the President is saying to the Congress is that the budget that he submitted, including the provision for beginning the family assistance plan, reflects his assessment of relative priorities. He would, in effect, be saying to the Congress that if it cuts this out and expand somewhere else, he would disagree because it had adopted an approach to these competing claims that does not give enough weight to the urgency of welfare reform and gives too much weight to some of the older and established programs—for example, hospital construction.

It should be pointed out, for instance, that through medicare and medicaid, which, since 1968, I believe, have allowed for maintenance and depreciation as a recognizable cost, we have subsidized hospital construction and renovation at a rate which is currently \$300 million.

It does not show in the Hill-Burton program, but it is a very substantial benefit for hospital plant construction and replacement.

The President is saying, in effect, that given the relative claims on the budget, considering the benefits to hospitals under medicare and medicaid, and recognizing the opportunities for financing hospital construction and renovation through guaranteed loans, he thinks it is a mistake for the Congress to increase the construction grant program. Now, this reflects a judgment among competing claims. The President has made very clear repeatedly that he believes that welfare reform along the lines reflected in the family assistance plan is a very high priority. This is all I can say unless we were to consider the earmaking of revenue.

Senator TALMADGE. You made a very excellent explanation of the President's views on the hospital construction appropriation, but you still have not stated where we are going to get the money to spend this extra \$4,100 million a year, Mr. Secretary.

Secretary RICHARDSON. I cannot answer it any better than I have, Senator, without identifying specific revenue sources. I do not believe that this can realistically be done in the absence of earmarking. I think that we will just have to leave the answer as one of relative priorities and assigning these their places in the total competition for general revenues.

Senator TALMADGE. In the committee print of the bill, on page 23, the President sent up his original program which was passed by the House. The total expenditure was \$8,200 million. Now the revision is estimated at \$9,100 million. So the President did not even know about the additional \$900 million increase when his first bill was sent up to the Congress, Mr. Secretary.

Secretary RICHARDSON. That is true Senator, and, as I have mentioned before, \$500 million of that is attributable to increases in the cost of current programs. The remaining amount is additional food stamp costs.

The increase in the cost of existing programs of \$500 million, which may even be low given the rate at which AFDC caseloads and benefits are rising, is a reason why we believe reform is needed.

As you have noted on page 24 of the committee print in the green binding, without the family assistance plan we will have rapidly expanding costs under the current law. In 1976 existing programs would cost only about \$800 million less than the proposed program.

Senator TALMADGE. What fiscal year are you referring to?

Secretary RICHARDSON. I am looking at the figures for fiscal year 1976 which show a comparison of projected Federal costs of maintenance payments under the family assistance plan and current law. This appears on page 24. It shows the total under the family assistance plan, including payments to adult categories, as \$8.8 billion. It shows the total under the current law as \$8 billion.

Senator TALMADGE. I see those figures, but I have grave doubt that it would be that when you are talking about adding some 15 million additional people to the welfare rolls. I do not think you can take 10 million people who are now on the welfare rolls and add 15 million to the welfare rolls and come out with 25 million and still have a figure that approximates the 10 million that are on the rolls at the present time.

Secretary RICHARDSON. This increase, of course, is, for the most, the result of the addition of families of the working poor. I believe that the statement as to the number of these families and the projected decline of these numbers covered in the plan is persuasive. It is set forth in the committee print in earlier pages, particularly at the top of page 21. The basis of this projection, based on past experience is that there will be a faster increase in average wage levels than in numbers of families at the wage level qualifying them for benefits under the plan.

As it points out, decline in the number of families is greatest for families in which the head works full time. There is an absolute increase in the number of families where the head does not work. Results of the projection method were confirmed by the success of the projection of the 1967 survey of economic opportunity, forward to 1969. The projection results were borne out by immediate past experience.

We consider that this is a much firmer projection than we have had in medicare or medicaid. The problem with those projections has arisen out of the legal requirement to pay for the cost of services, whatever the going price is, whereas here we are talking about families' earning levels and specified benefit levels. These lend themselves to a firmer kind of prediction than the prediction of medical care costs.

ELIMINATING WELFARE ABUSES

Senator TALMADGE. Mr. Secretary, someone brought to my attention a series of articles which appeared in the May editions of the Oakland Tribune. This newspaper investigated welfare abuses in the Alameda County area and disclosed some startling cases. For example, the Tribune found that dozens of full-time county employees were drawing welfare in addition to their salaries. It was estimated that at least 20 of those were employed by the welfare department itself. One of these employees was a full-time senior social worker whose total annual income is almost \$14,000.

In addition, the Tribune found that many State and Federal employees have been recipients of welfare.

I asked the Library of Congress to check on these disclosures. Apparently, there was nothing patently illegal about what was going on in Alameda County. However, I feel that it is disgraceful that this kind of situation should be allowed to exist.

What would the family assistance plan do to eliminate this kind of occurrence?

Secretary RICHARDSON. The main thing it would do, Senator, is to lower the point up to which the Federal Government would share in making payments to the family. The cases you describe are the result of the California law enacted pursuant to the Federal 1967 amendments, under which a family with a working head is allowed to disregard, for purposes of computing AFDC benefits, the first \$30 of earnings, on the theory that this covers work expenses. They are allowed to cover other specifically identifiable work expenses. Then, in addition to that, they are allowed to disregard a third of the earnings. The Federal Government would then participate in roughly one-half of the supplementary payment up to the point where the family is

off welfare. So this results in a very high breakeven point, in effect higher than the poverty level.

The family assistance plan would terminate Federal participation in the payments to the family at the poverty level. In that respect, it introduces an important limitation on total Federal participation.

The other major change that would apply here is that instead of having a disregard of \$30 plus identifiable work expenses, we would substitute an across-the-board \$60 disregard per month designed to cover work expenses. This is the source of the \$720 per year which a family could receive without any reduction in benefits.

Senator TALMADGE. Would the poverty level income be the total gross income, or the net income?

Secretary RICHARDSON. It would be the total gross income.

Excuse me, Senator, it would be the total income less exempt earnings.

GOVERNMENT EMPLOYEES ADDED TO WELFARE BY FAP

Senator TALMADGE. Is it not true that the family assistance plan would really put a great many more Federal, State, county, and municipal employees on welfare than the present law?

Secretary RICHARDSON. Put Federal, State, county, and local employees on welfare?

Senator TALMADGE. People working for a government, either Federal, State, municipal, or county. You, yourself, testified that 57,000 members of the armed services would be entitled to benefits.

Secretary RICHARDSON. I am certain it is true that in the case of families with low cash incomes a significant number would be added, depending partly on the number of their children. I do not know how many of them would be public employees.

In the case of the armed services, of course, the scheduled pay increases that are now designed to go into effect would virtually eliminate their coverage.

DEFINITION OF UNEMPLOYMENT

Senator TALMADGE. Mr. Secretary, reverting to another matter, in our previous hearings on this bill, several members of the committee noted that regulations of the Department permitted States to consider an individual working less than 35 hours as being unemployed. Secretary Finch agreed that he had difficulty conceiving of a man working regularly at 34 hours a week as being unemployed. Yet, to the best of my knowledge, there has been no change in this regulation.

If I read correctly, the electrical workers in New York City recently negotiated contracts for a 20-hour week. Why should not the system have a more realistic definition of unemployment?

Secretary RICHARDSON. We should have a more realistic definition, Senator. I would again emphasize that if our recommendations are all adopted, that problem will disappear with the declining rolls of the unemployed father category.

Senator TALMADGE. Is it not a problem now that ought to be corrected by regulation now, rather than waiting on Congress?

Secretary RICHARDSON. I think it should, and I shall follow that up.

FAMILY PLANNING

Senator TALMADGE. I am delighted to hear you say that.

Mr. Secretary, when former Secretary Finch appeared before the committee, I asked if he intended to intensify family planning activities in connection with the bill. He stated that this was the Department's intention under the bill and under the social service amendments which would be proposed subsequently. We now have the revised bill, including the social service amendments. As I read them, they represent a serious blow to family planning efforts. Specifically, they delete the requirement that family services be offered to all appropriate welfare recipients, and then they bury family planning among the many social services that may be offered if the State so desires as a part of its social services plan under a fixed Federal appropriation.

Would that not seriously undermine the family planning efforts? Our State welfare director thinks that is one of the most important things that we need to do.

Secretary RICHARDSON. Well, then, there would be no problem in your State, Senator. As I understand it, the reason the social services amendments are written as they are is that they are designed to encourage the States to provide a balanced program of social services, including family planning services. It was felt that, with the separation of social services from money payments, the States should not be required to provide any particular combination of services among the range of services that would be recognized as desirable for the State to give. No specific direction to the States to do any more than to provide a balanced program of services. Thus, there is no problem for the State that chooses to provide or emphasize family planning services.

If this committee feels that we want to tell the States that, as a condition to Federal participation in paying for services, they must provide family planning services, we would not object.

ELIGIBILITY FOR FAMILY ASSISTANCE

Senator TALMADGE. Mr. Secretary, when Secretary Finch testified before the committee in April, I asked why it was necessary under the bill to give the Secretary such absolute discretion as to the level of gross income from business or farming which would make a family ineligible for benefits. Secretary Finch agreed that the area was a troublesome one, but he did not have the answer, and said that you were going to have to come back to the committee with another specific recommendation.

I note that the revised bill does not so much as change one comma of the section to which I was referring. Furthermore, the material provided on areas of secretarial discretion gives no indication what your policy might be in this area. I am not blaming you, Mr. Secretary, because you inherited this revised bill before assuming office. But I would like a definite answer now as to what your policy intentions are.

How high can a family's gross income be and that family still be eligible for welfare?

Secretary RICHARDSON. I cannot give you a specific dollar figure, Senator. This is one of the questions covered in your earlier request that we go into greater detail on issues arising under various provisions for secretarial discretion. The answer we have provided heretofore is given in the pages following page 61 of the committee print.

The problem here, of course, is one that arises, for example, when you have a farm which produces a substantial gross income but a very low net cash income. Other examples are a corner newsstand for a variety store which may have a fairly high volume of business but a very low net. Since I first became aware of this problem I have not been able to determine a clear-cut way of fixing a gross account which would allow us to say that, notwithstanding the low net income, there are enough ways in which the family can benefit by the high gross so that they should not receive any supplementation of their income from public sources.

In the case of the farm, for instance, it would depend to some degree on the kind of farm. We propose, in this kind of situation, to develop illustrative guidelines to be applied administratively in somewhat the manner in which Internal Revenue agents apply the rules, regulations, letters, and previous rulings of the Internal Revenue Service.

I cannot at the moment see how we can deal with this in very specific language that we could be sure was fairly applicable to the wide variety of cases likely to arise.

Senator TALMADGE. Should we not have an answer before we legislate in this field?

Secretary RICHARDSON. You do it all the time, of course, Senator, in the tax field, where the answer can only be generally derived from the statutory language.

Senator TALMADGE. But there you have authority to go in and audit books and determine the net. Taxation is based on net income.

Secretary RICHARDSON. Yes, but the question of interpretation of a particular language in a given case—even the determination of what is income—is not always that easily decided. There are many case decisions and rulings of the Commissioner which define what is income. A tax lawyer has to look at these. He cannot look at the statute enacted by the Congress and get an automatic answer to that question.

Senator TALMADGE. I agree, but there is a little difference there, Mr. Secretary. In collecting taxes, the Government is distributing money from the pockets of the taxpayer. In this instance, the Government is paying out taxes collected from others to other citizens. It seems to me we ought to have some clear definition here before we legislate in this field.

Secretary RICHARDSON. I would be glad, as I said earlier, Senator, to cooperate with the committee in making the answer as clear as it can be made. The clearest way of doing this is to say, for example, that we will not consider as eligible any family which has a business or a farm or any other source of income which produces a gross, without regard to net, in excess of \$25,000. If we did use this approach, we would have to recognize that there might be some situations, for example, a small store in a large city, where \$25,000 gross might not yield more than a very small net, a net substantially below the poverty level. You

must decide whether you want to do it that way or to vest in the Secretary, pursuant to regulations, a wider discretion in determining what the gross should be in the light of the type of business involved, its location, and the opportunities in the particular type of business for covering various family expenses.

Now, I do not hold a brief for either approach. I am merely trying to identify why it is that the committee has not received to this point a clear-cut answer to the question.

SHORTCOMINGS IN THE TRAINING PROGRAMS

Senator TALMADGE. Mr. Secretary, in my judgment, the only answer that we can ultimately have in our poverty program, our dependency program, is education and training our citizens to become useful and productive citizens. And there is one thing I do not think the Government can do, and that is provide the motivation to people, people who have to determine their own motivation. Some would rather loaf than work. Most people, fortunately, in our country would rather work than loaf.

I have undertaken an investigation of our training programs. The best I am able to ascertain, our Government now has 19 different Federal agencies, conducting some 39 different training programs. Is that about right?

Secretary RICHARDSON. It sounds right.

Senator TALMADGE. Now, many of these programs are less than useless. They are training people for jobs that do not exist. They are giving them institutional training. They get frustrated, they quit, they get out, they cannot find a job. I think the only ultimate answer is to create a partnership between the Government and private industry, because private industry, in the final analysis, must provide jobs. We need to take a particular individual, put him on some private industry's payroll, supplement in some way the private industry for hiring him—a tax credit or otherwise. I personally favor the tax credit. And no private employer is going to hire any citizen unless he thinks he is going to be productive enough to earn his wage, at least, and hopefully a profit.

We need to take these people and put them on a specific piece of machinery or a specific lathe, subsidize his employment for a specific time. Then, when he becomes competent in operating that lathe or that piece of machinery, he will become a productive citizen; he can earn his wages, and he will become a taxpayer. Is that not the way we ought to proceed?

Secretary RICHARDSON. Yes, I think so, and I hope the committee will have the opportunity to hear Secretary Hodgson's responses to the committee's questions along these lines.

This, of course, is the area in which his Department would have primary responsibility.

I might point out in this connection, because it also applies to questions raised by the chairman earlier, that under section 449 of the bill, the Secretary of Labor would be authorized to take the amount of money due under the family assistance plan and pay it to a private employer who is willing to take the recipient into an on-the-job training slot and pay him a wage instead. This would, in effect, enable the

Department of Labor to reach funds appropriated to the family assistance plan in order to provide on-the-job training for people they hire.

INCREASING WELFARE ROLLS UNDER FAP

Senator TALMADGE. The President campaigned 2 years ago on just the type of program I just outlined. Since then, he has been strangely silent about it. I do not think he can ever cure this thing by increasing the dole. I do not think you can ever cure it by putting one out of eight citizens on the welfare rolls. The only way you can cure it is to make it attractive for them to go to work and to make it attractive for an employer to hire them. Then, when you do that, that is the answer. In my judgment, that is the way we ought to proceed.

Secretary RICHARDSON. Senator, I agree with all of what you have said, with one exception. When you talk about adding people to the rolls under the Family Assistance Plan, you must be aware that the people added include large numbers of families where the father is working full time already. The problem there is that our free market economy has not provided him with even a poverty wage. Certainly the cures to this in the long run are the improvement of wage levels and the increase of skills through the kinds of approaches you have described.

But I would suggest that, however well we do in this, it is not an alternative to eliminate the inequity in the current system which provides public support in the case where the father is not working or where there is no father in the home, but provides none for the conscientious family man who happens to be the victim of the very low wage scales paid in his area.

Senator TALMADGE. Whatever you want to call it, I have said that in simple arithmetic 25 million is more than 10, and that is considered an addition.

Secretary RICHARDSON. I agree they are an addition, Senator, but my point is the addition is attributable to people who are working.

Senator TALMADGE. I have no further questions.

The CHAIRMAN. If I might just suggest, Mr. Secretary, it seems to me it makes a lot better sense to subsidize the job than to pay that man not to work. That is just logical commonsense, it seems to me. Once you start paying him not to work, you are going to have a hard time getting him back to work. Once he gets used to sitting around doing nothing, he will find it hard to change.

Secretary RICHARDSON. Most of these people, Senator, are not in situations like those shown in the New York charts. They are individuals with low cash income, no medicaid coverage, no public housing bonus, no food stamps. We are providing some further cash assistance in a program that really does give them a net benefit of 50 cents for each dollar they earn up to the poverty level.

FOOD STAMP PROGRAM

The CHAIRMAN. If I look at the recent votes in the Senate, my guess is that anybody who is poor and not getting food stamps will not have to wait long if the House votes the way the Senate does, because they are voting to pile food stamps on just as fast as they can, it seems to me. So that part is coming anyway.

Secretary RICHARDSON. We hope so.

Senator WILLIAMS. Would you yield?

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. You say you hope so, but I understood you to say in colloquy earlier that you are going to abolish all that next year. Now, what do you mean?

Secretary RICHARDSON. No, Senator, we were talking about the earlier calculations, in some charts, of the commodity benefits for a family. These are to be distinguished from the plan for a declining scale of food stamp bonuses as earned income goes up.

The CHAIRMAN. Senator Curtis?

EARNINGS DISREGARD

Senator CURTIS. Mr. Secretary, is there a factor in this bill of uncounted income or disregarded income in determining eligibility?

Secretary RICHARDSON. The only disregarded income is the income considered necessary to cover work expenses. We have pegged this at a flat amount of \$60 a month.

Senator CURTIS. Well, are you referring to the language on page 151 of this committee print of the bill, lines 13 to 17, which say that the first \$720 per year or proportionately smaller amounts for shorter periods of the total of earned income of all members of the family plus one-half of the remainder thereof?

Now, what does that mean?

Secretary RICHARDSON. The \$720 is the amount disregarded, at the rate of \$60 a month, which is considered to be an average amount to cover work expenses.

Senator CURTIS. Then one-half of the remainder?

Secretary RICHARDSON. If you are looking only at cash benefits, the first \$720 earned would not reduce the family assistance plan benefit of \$1,600. It is shown in the two left-hand columns of the charts. At zero earnings, the family assistance plan benefit is \$1,600, at \$720, or \$60 a month of earnings \$1,600 is still the benefit for a family of four. Out of the first \$1,000, the family is, in effect, enabled to obtain a net income increase of half that amount less \$720, or \$140, which brings the total family assistance plan benefit down to \$1,460.

The same is true of the next \$1,000. They get, in effect, a net of \$500 for each additional \$1,000 above the first \$720.

Senator CURTIS. Does that mean that the individual here listed as zero earnings could actually have \$720?

Secretary RICHARDSON. Yes; as shown in the next line.

Senator CURTIS. Now, the person that is shown here at \$1,000 earnings actually would have \$720 that was not counted, plus half of their earnings. So this individual would actually have earnings of \$2,720, is that right?

Secretary RICHARDSON. No; that means total earnings of \$1,000.

Senator CURTIS. If a person had \$2,720, you would first subtract \$720. Then you take one—that would leave \$2,000. Then you take one-half of the balance and that would be \$1,000 earnings?

Secretary RICHARDSON. Yes.

Senator CURTIS. So this individual who is shown here as having \$1,000 earnings, what that really is is \$1,000 counted earnings—

Secretary RICHARDSON. No; it is \$280 counted earnings, of which the family keeps half, or \$140.

Senator CURTIS. No; I think you add this, plus this, plus this, equals that.

Secretary RICHARDSON. Once you pass the second column, you get to the State supplement.

Senator CURTIS. That is right.

Secretary RICHARDSON. That chart happens to be New York.

Senator CURTIS. You have shown in this column that the individual has \$1,000 counted earnings, and he gets the Federal plus the State—

Secretary RICHARDSON. The gross earnings, Senator, not on top of the \$720. The earnings of that family are assumed to be \$1,000, of which \$720 are disregarded, leaving \$280. There is a reduction in benefits under the family assistance plan, of half of that amount before you get to the State supplement. That is why the family assistance plan benefit is shown at that row on the chart as \$1,460, or \$140 less than the maximum. The only income counted out of the \$1,000 for purposes of reducing the family assistance plan benefit is \$280 which is the difference between the \$1,000 and the disregarded \$720.

Senator CURTIS. So the \$280 is subtracted from the \$1,600.

Secretary RICHARDSON. No; half of that is subtracted, Senator. The family can earn \$720 without any reduction in benefits. If that same family earns another \$280, bringing the total to \$1,000, the reduction in benefits of 50 cents on the dollar applies to that \$280. Thus, that \$280 additional earnings reduces the family assistance plan benefit by \$140. The family at that point is shown as getting a family assistance plan benefit of \$1,460.

You add that to the \$1,000 and that gives you total cash for that family of \$2,460.

Senator CURTIS. Then coming back to my original question, the first column is the total earnings, and not the counted earnings?

Secretary RICHARDSON. That is right. For each of those income levels, the first \$720 is disregarded in determining benefits.

Senator CURTIS. But any figure there, if we took \$2,000 or \$3,000, that is the total earnings. Then you apply the reduction of \$720 plus the half?

Secretary RICHARDSON. Yes, sir.

Senator CURTIS. I see. I was not clear whether that first column was counted earnings or total.

Secretary RICHARDSON. I can understand the question.

NUMBER OF PEOPLE INVOLVED

Senator CURTIS. Now, a question in reference to what Senator Talmadge was asking about the numbers of people involved. Last week, about my last question was how many new recipients would be on. Your reply was nearly 13 million. I understand that 7.5 million of that number would be the families of the so-called working poor. Is that correct, 7.5 million?

Secretary RICHARDSON. Yes, Senator; that is on the basis of families with one earner in the family, but not necessarily working full time. The number of families with a family head who works full time all year is shown on a table on page 28 as 1,167,000 families, or 6,677,000 people.

Senator CURTIS. So the fully employed account for 6 million what? Secretary RICHARDSON. 6,677,000 people.

Senator CURTIS. Well, now, that is roughly half of the number of additions. How do we account for the other 6 million?

Secretary RICHARDSON. Many of those are in families in which the father, for example, may be working considerably less than a full year. On page 28 of the committee print of the administration revisions, table No. 7 is the summary of characteristics of families eligible for family assistance benefits in 1971. The grand total number of families covered is shown as 3,678,000. These include 18.5 million people. Some of these are people in families where there is no earner and who would be covered under the family assistance plan through basic payments and supplementary payments. Some are people where there is part-time work and some are families where there are more than one person working but doing part-time work. It is broken down there, and you can see what it looks like.

But the most typical working poor family who would be added, under the family assistance plan is the family in which the family head is a male and is working full time.

It ought to be pointed out here again that we are talking about the projected number of families eligible. The actual numbers of those who would come on the rolls will presumably be less than this.

Senator CURTIS. And in the category of fully employed, those families would constitute roughly half of the additions of the near 13 million?

Secretary RICHARDSON. Yes, sir.

Senator CURTIS. Will there be any families headed by women brought in under the family assistance plan who are not now under AFDC?

Secretary RICHARDSON. I expect there would be, Senator, in the eight States where the AFDC total payment for a family of four is now less than \$1,600. We would also add families where the female head has income above the State need standard but below the thirty and a third break-even point under the State plans now in effect. This involves the difficult discussion we were in the other day.

NEW RECIPIENTS, BY AGE AND EDUCATION

Senator CURTIS. Could you give me an estimate, either now or later, of the number of families headed by women who will be brought in under FAP who are not now under AFDC?

Secretary RICHARDSON. Yes, we can do it. I think it is a matter of breaking it out of the figures. I cannot do it quickly enough to answer it right now.

(The information referred to follows:)

It is estimated that H.R. 16311 would increase the number of female-headed families receiving cash assistance by 700,000 over the 1971 AFDC caseload.

Senator CURTIS. Do you have any statistics on the average age of these new recipients in all categories?

Secretary RICHARDSON. I would have to ask Mr. Hawkins if he knows.

Mr. HAWKINS. We can give it to you in certain age groupings.

Senator CURTIS. All right, if you will supply that.

(The information referred to follows:)

The median age of family heads eligible for Family Assistance, exclusive of those already receiving assistance under AFDC, is 41 years of age. The percentage distribution by age of head is as follows:

<i>Age distribution for heads of FAP families not now receiving AFDC</i>	
<i>Age:</i>	<i>Percent of family heads</i>
Under 30.....	21.7
30 to 39.....	26.6
40 to 49.....	25.7
50 to 64.....	22.8
65 and over.....	3.2
Total.....	100.0

Senator CURTIS. Do you have any information as to how much education these new recipients have?

Mr. HAWKINS. We can give it to you for all recipients by grades of school.

Senator CURTIS. I am talking about those who will become eligible upon the passage of this act that are not now receiving welfare benefits.

Secretary RICHARDSON. We can give you figures as they apply to all families eligible. They appear on page 32 of the committee print; table 15. The distinction between these figures and what you have requested is that it does not show here which of these families are new to the rolls. There is a breakdown by age, on page 29, table 8, showing those over 65.

Senator CURTIS. The staff called my attention to a fact that there was a showing the other day that the average age is 41. That was in answer to question I asked on age. If you have something on the education, how far they have gone in school—

Secretary RICHARDSON. Yes. As I say, Senator, you have a partial answer on page 32 for all families eligible, which shows the proportion with no education, 1 to 8 years, 9 to 12, and 13 or more years. This is broken down by categories of male- and female-headed families giving the percentage at each level. I am not sure whether we can do this for the new families added to the rolls, but we will go back and see whether that can be done and supply it if it is possible.

(Information supplied by the Department follows:)

The data shown below indicate the distribution of families by education of family head, for families eligible for Family Assistance but not now receiving assistance under AFDC:

<i>Years of education:</i>	<i>Percent of family heads¹</i>
No education.....	2.3
1 to 8 years.....	45.7
9 to 12 years.....	42.2
13 or more years.....	9.8
Total.....	100.0

¹ Heads of families eligible for Family Assistance but not now receiving AFDC.

Senator CURTIS. My reason for asking it is this: These people are not totally lacking in skills, because they are earning something. I am very much convinced that they are heavily endowed with good character and loyalty to their families or they would not be carrying on. I am interested in what the possibilities are for additional training

for those people so that they can lift themselves out of poverty in that manner.

NEW RECIPIENTS, BY AREA

Now, of these potential new recipients in all categories, what portion of those live in an urban area?

Secretary RICHARDSON. I shall ask you to look, Senator, at the table on page 30, the bottom half, "Estimated number of families eligible for family assistance benefits in 1971 by residence in SMSA"—that stands for "standard metropolitan statistical area"—"and sex of family head." Shown at the bottom, out of a total of 3,678,000 families, 1,294,000 are located in the central city, 712,000 not in the central city but in an SMSA, and 1,672,000 not in a standard metropolitan statistical area. A standard metropolitan area is defined in the footnote as a county or group of contiguous counties which contain at least one city of 50,000 inhabitants or more, or twin cities with a combined population of at least 50,000.

In summary, outside of metropolitan areas, whether the central city or the suburbs, there are roughly 1,670,000 families.

Senator CURTIS. According to that table, it would look like, in your second column, where it shows the percentages, that roughly 55 percent live in urban areas.

Secretary RICHARDSON. Yes, Senator, as I have pointed out before, all of these tables in the series deal with the total of 3,678,000 families that would be eligible under the family assistance plan, not simply the newly added families. We would have to, in each case, supply the figure if we have it at all for the newly enrolled families.

Senator CURTIS. My reason for bringing this out at this time is, again, as it relates to possible job training as well as the availability of jobs. In a completely rural area, we are faced with different problems both as to making training available as well as locating the job after someone is trained than we are in the larger places where there are more opportunities. Do you have any record, or are there any facts available concerning this almost 13 million new recipients as to whether or not, some time in the past, these same families have received some sort of welfare and are no longer receiving it?

Secretary RICHARDSON. I think the analysis of the sample data on which the projections are based would turn this up. I do not have the figure at hand.

Senator CURTIS. If there are any figures on that, I would be glad to have them.

Now, also, of the total number of potentially new recipients, do we have any information as to whether or not some of those have received welfare from local and State governments that have been outside of any Federal program?

Secretary RICHARDSON. I shall see whether we can do this, Senator. This depends on the data derived from the samples that have been used for projecting coverage and costs as these apply to families not now on the welfare rolls. I do not know whether we have this. If we can derive it, we shall supply it.

(Information supplied by the Department follows:)

The data available on families who would be covered by Family Assistance disclose only current welfare status. The type of longitudinal data needed to determine if FAP families not now on welfare have ever been on welfare before are not available.

ADDITIONAL JOB SLOTS

Senator CURTIS. In your testimony last week in reference to training, you used the expression, 150,000 slots. Then at another time, there was a reference to 75,000 people to be trained. Just what constitutes the 150,000 slots? What are they? I do not quite understand the expression.

Secretary RICHARDSON. Well, the term "slots," as I understand it, refers to a specific opportunity for training to qualify an individual for employment or for better employment. The 150,000 is a number which the funds available for training under this program in the first year would be sufficient to provide. The 150,000 total refers to the provision of training slots for the people who register under the plan who are not already working.

The 75,000 additional slots are for the upgrading of the skills of people who are already working. That is the reason for the breakdown.

Senator CURTIS. The 75,000 would be for those who are already working?

Secretary RICHARDSON. Yes; and this could include, therefore, some of the working poor who are working full time but who have jobs with very low skill levels and low wage levels.

Senator CURTIS. Now, how many of these slots are authorized under existing law?

Secretary RICHARDSON. The 150,000 slots and the 75,000 upgrading slots are in addition to the numbers already existing under existing law. The present law data is shown in a Department summary dated March 1970 with the caption "Welfare Reform And Work Incentives," this was distributed to the committee by Secretary Finch. It shows, for 1971, that institutional manpower training opportunities totaling 462,000 slots are available through 10,000 schools, public and private. On-the-job training totaling 234,000 slots is available through 22,700 participating companies. Work support experience with 1,500 project sponsors provide 538,000 slots.

The family assistance plan adds 225,000 slots on top of that base for a 1971 total of 1,459,000.

Senator CURTIS. Were all of those utilized that were authorized last year and in this current year?

Secretary RICHARDSON. We are getting into an area in which Secretary Hodson would be a better witness. But I think the only real comparison between welfare coverage and training-slot availability is through the work incentive program, WIN. And my understanding is that, partly because of the problems brought out earlier in discussion with the chairman, in some States there have been more slots available for training than people referred to training.

We think, as I said earlier, that this is in large part attributable to the way the program is constructed and the way it has been administered. With the requirement of registration and with supervision and control over the work training opportunities in the hands of the Department of Labor, there would be available at least one person for all the training slots available. In fact, we are more concerned that there will not be enough slots than that there will be more slots than people available for training.

Senator CURTIS. Well, I certainly concur with you in that. It would be my hope that instead of adding these millions of people to welfare

rolls, an alternative could be offered whereby they could get the benefits of all this training opportunity, as well as possibly even locating some additional jobs and totally eliminating the plan of placing them on public welfare. I do not think the people want this. I was greatly impressed, within the last week, watching a television show where there was a distinguished black mayor of one of our Southern cities, and he complained of the fact that his people were pictured improperly often, that when they were illustrated, they were illustrated as a family on welfare, and that they were not getting enough advertising of the people who are not on welfare.

Well, that caused me to think that we might not be helping this mere 18 million by having them classified, both in their own minds and the minds of their children and in the public mind as dependent citizens rather than self-supporting citizens even if admittedly, their standard of living is below what we would all like to have it be.

ESTIMATED COSTS OF THE HARRIS PROPOSAL

Mr. Secretary, the cost of this bill, additional cost over present programs, is roughly estimated at \$4.2 billion. Is that correct?

Secretary RICHARDSON. \$4.1 billion, sir.

Senator CURTIS. Would you supply for the record if you do not have it now the cost of the proposal advanced by the distinguished Senator from Oklahoma, Senator Harris? I think it is in the nature of a bill, is it not?

The CHAIRMAN. You might have the answer to that right now.

Secretary RICHARDSON. We have calculated this. We can find it here.

It was supplied in response to an earlier question for the record. These are Budget Bureau estimates. Because of an ambiguity in the bill, it was necessary to provide two estimates, a low estimate and a high estimate. The high estimate shows, for fiscal 1971, an additional cost of \$17 billion, with 59 million people covered.

The low estimate is \$12 billion, and we do not have a figure for the number of people covered. That has been supplied for the record.

Senator CURTIS. Yes, I understand, but I do not believe there was supplied the answer to my next question.

The CHAIRMAN. How many additional million people would be on welfare under that proposal?

Secretary RICHARDSON. On the high estimate, 59 million people would be covered altogether, which is roughly 50 million more than you now have.

The CHAIRMAN. What percentage of our population would that be, then, that we then have on public welfare?

Secretary RICHARDSON. That would be about 30 percent.

WORKING POOR

May I comment on your earlier point, Senator Curtis? With respect to the desirability of providing work training opportunities only, instead of extending income supplements to the families of the working poor, I think it is important to emphasize that the program we are proposing eliminates a serious inequity. That inequity results from coverage under current law only of families where the father is

not working full time, or where there is no father. Such a family may receive substantially more income than families where the father is working. If we keep the present system, therefore, or rely only on training opportunities for families which are headed by a full-time working father now, we will still have a situation that will encourage that father to drop out of employment because he can see neighbors who are better off not working. We think that this is an important reason for extending minimum coverage to that family treating it on the same footing with a family in which the father is unemployed. We combine this, of course, with the declining scale of benefits that allows him to keep his earnings but reduces proportionately the income supplement.

The problem here basically is one that I have emphasized before, We must determine whether it is enough to provide training opportunities alone to the working poor family headed by a full-time working father, or whether we want to provide an income supplement where he is already working at a very low wage scale, along with the training opportunities designed to enable him to upgrade his skills and get a better job. We would expect that he certainly wants to have his skills upgraded since he is a man who is working full time already.

If we do not cover him at all, then it seems to us that he may very well be discouraged from continuing to work and either drop out of the labor market thereby qualifying his family for benefits that apply when the father is unemployed under existing law in 23 States, or, if that is not possible, desert the family in order to permit them to be covered.

Senator CURTIS. But he has not done that yet.

Secretary RICHARDSON. He has not done it yet. Yet we think that the increase in the AFDC rolls tends to show that more and more fathers are doing that.

INCREASE IN AFDC ROLLS

Senator CURTIS. That leads me to my next question. Have the AFDC rolls increased in the last few years?

Secretary RICHARDSON. Radically, yes.

Senator CURTIS. Where has that increase come from?

Secretary RICHARDSON. Well, it has partly come from the situation we have just been talking about. It has partly come, as the chairman brought out earlier, as result of the elimination of residency requirements for eligibility. It has come partly from the court rulings which no longer make it possible to cut a family off because there is a male in the house who has no legal obligation to support the family.

Senator CURTIS. Has there been an increase in the number of women who have started a family without a husband?

Secretary RICHARDSON. Yes, very substantially.

Senator CURTIS. Now, do you have any—it can be supplied later—do you have any hard figures on fully employed people, fully employed men who have either become unemployed or have absented themselves from home and, as a result, have increased the AFDC rolls?

Secretary RICHARDSON. We have figures, Senator, that show the number of families without a father in the home or, where they are covered, where the father is unemployed. But we could not show and

have no figures to show what proportion of these have come onto the rolls recently because the father became unemployed in order to qualify his family for benefits, or where the father deserted the family in order to qualify them for benefits. This is inherently impossible to prove statistically one way or the other.

Senator CURTIS. Of course, statistics do prove that somewhere upwards of a good many millions have not done it, because they are still there.

Secretary RICHARDSON. Yes; but the proportion on the AFDC rolls is going up rapidly, and the proportion of families with a deserting father at low income levels is also going up. We can reasonably infer that there is a connection. We think that to provide minimum benefits where the father is working at a very low wage is fair and at least moves in the direction of removing an incentive to family breakup.

ESTIMATED COSTS OF M'CARTHY PROPOSAL

Senator CURTIS. Now, my time is up, I shall resume at another time. I did ask for the figures on the McCarthy bill, did I not, to supply in the record?

Secretary RICHARDSON. Yes.

The CHAIRMAN. Do you have that, by the way? Is that available here?

Secretary RICHARDSON. We are working on this in detail. The best figure we can give you, so far, is that Senator McCarthy's bill would cost at least \$50 billion more than present programs.

Senator CURTIS. And add how many people?

Secretary RICHARDSON. I cannot give you that at this moment.

Senator CURTIS. That can be supplied.*

WELFARE IN GENERAL

I just want to say, in closing, in answer to something you have said, a couple of times you have used the expression that to put people on the welfare rolls would eliminate an inequity. I do not think that the Congress of the United States can use that as a basis for making welfare payments or any other kinds of government payments. There are inequities all around us. I think that welfare has to be limited to filling needs that can be demonstrated. If people are without food and shelter and medicine that is not available at any other source, the American people want it taken care of. And welfare should be based upon a need that can be demonstrated. That is what has been followed all through the years—not perfectly. It needs a lot of reforming.

But I think we are just in water way over our heads if we take on a program that starts paying welfare benefits to eliminate inequities.

Secretary RICHARDSON. May I comment on this, Senator? First of all, you said you do not believe the Congress would do this.

Senator CURTIS. I do not think they should.

Secretary RICHARDSON. I would remind you that the House, by an overwhelming margin and after an exhaustive analysis of all the implications of this proposal by the House Committee on Ways and

*The Department's response appears in appendix C, p. 1156.

Means, did vote to do it, and they voted to do it, in part, the committee makes clear, because they believe that if you are going to apply an income test of need, the test should be applicable, at least for purposes of some minimum level of benefits, whether the father is working or not working; the only meaningful test of need you have, if you are talking about income benefits, is income. And if the family is below a given level of income, it should not be disqualified because its father is working full time.

This is, in effect, where the administration came out, because the longer we looked at the question, the less we could find any justification for excluding a family because its father works. That is what existing law does. We do not think that is a reasonable basis for disqualifying the family from income supplementation.

May I make one further point, too, which bears on what you said earlier about people's feelings toward being on the welfare rolls? We have made a proposal that makes eligibility for supplementation of income an automatic consequence, at least for minimum benefits, of having less than a given amount of income in proportion to the size of the family. This is the test. If a family receives income supplementation in those circumstances, it is no more of a disgrace or an indignity than attaches to the fact that they have that level of income itself. This is the reason that we have urged the complete separation of the administration of money payments from the administration of social services.

This is why we have kept insisting that the cash benefits to families under this plan should be considered family assistance, not welfare. The word "welfare" carries with it the overtones of indignity. We are trying to get away from that stigma by simply recognizing that if a family has less than a certain amount of income, that income should be supplemented for the sake of the family as a whole until the job market can take care of the problem through the generally rising levels of the economy.

At any rate, this is where we came out, and this is essentially the route we took. I submit, Senator, that the burden of proof to me is not on the proposition that the working poor should be included; it is on finding some justification for excluding them. I fail to see what that is.

Senator CURTIS. Well, we should not use the question period to argue the case, and I shall not pursue it. But the point is if you put near 13 million people on welfare, according to all past patterns, they will stay there. And they, to a degree, move from the category of self-sustaining persons to dependent persons. I do not think that we have helped them. I do not think we have helped their family unit. I do not think we have helped to provide a feeling of well-being for their children.

Coming back to your expression that we make these payments to end an inequity, that opens up a wide field. I think the welfare has to be confined to the people who are suffering because they do not have shelter, and food, and clothing, and medicine. I just do not see how we can go beyond that and remedy inequities.

Secretary RICHARDSON. Senator, if a family with a working father is living on a total income below the level that would disqualify it

under this program, I think it would meet standards of deprivation that would appeal to most of this committee as entitling it to some help.

Senator CURTIS. But even if that could be done, it should be done on the basis of needs that could be demonstrated.

Secretary RICHARDSON. Well, Senator, I agree with that. The question is: How do you measure the need? We have gotten into a terrible morass sending social workers into the kitchen to sit down with a mother and go over a detailed family budget, including how many eggs the children need per week, and what they use for carfare, and whether they should be allowed to spend any money for the movies, and so on. I thought we were getting away from that. I think we should get away from that by making a determination of a dollar amount in proportion to the size of the family, without all the indignities that are associated with the intrusiveness that is part of the old system of figuring out the family budget.

Senator CURTIS. I would agree with that wholeheartedly.

Secretary RICHARDSON. What we have done, therefore, is establish a test of need, and that test is income in relation to family size.

Senator CURTIS. That is all.

The CHAIRMAN. Thank you very much, Mr. Secretary. We shall meet here tomorrow at 10 o'clock.

Secretary RICHARDSON. Thank you, Mr. Chairman.

The CHAIRMAN. Those Senators who did not have a turn today I hope will start tomorrow.

(Whereupon, at 12:55 p.m., the hearing recessed until the following day, Wednesday, July 29, 1970, at 10 a.m.)

THE FAMILY ASSISTANCE ACT OF 1970

WEDNESDAY, JULY 29, 1970

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10:15 a.m., in room 2221, New Senate Office Building, Senator Clinton P. Anderson, presiding.

Present: Senators Anderson, Talmadge, Harris, Byrd, Jr., of Virginia, Williams of Delaware, Curtis, Miller, Jordan of Idaho, and Hansen.

Senator ANDERSON. Mr. Secretary, we are happy to welcome you back here again. Senator Miller has some questions to start with.

FAMILY HEALTH INSURANCE PROGRAM CONTRIBUTIONS

Senator MILLER. Thank you, Mr. Chairman.

Good morning, Mr. Secretary.

First I would like to go back to a question that Senator Williams asked you yesterday. As I understood it, you were going to furnish to the committee a revised chart which would reflect the portion of the contribution to the family health insurance program made by the recipient.

Now, as I understand that chart, the third chart, No. 12, is it?

STATEMENT OF HON. ELLIOT L. RICHARDSON, SECRETARY OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY ROBERT PATRICELLI, DEPUTY UNDER SECRETARY; HOWARD A. COHEN, DEPUTY ASSISTANT SECRETARY FOR WELFARE LEGISLATION; STEPHEN P. SIMONDS, ACTING COMMISSIONER, COMMUNITY SERVICES ADMINISTRATION; AND CHARLES E. HAWKINS, SPECIAL ASSISTANT TO THE ADMINISTRATOR FOR LEGISLATIVE AFFAIRS

Secretary RICHARDSON. Yes.*

Senator MILLER. The \$354 medical insurance bonus reflects \$146 of contribution by the recipient, is that correct?

Secretary RICHARDSON. Yes.

Senator MILLER. Now, does that mean that when you bring in the revised chart that the \$1,600 will be reduced by \$146 dollars or that the State supplement, for example, would be reduced by \$146. I would like to find out where that fits.

*See appendix D, p. 1191.

Secretary RICHARDSON. No, Senator, it would come out of the total gross money income of \$3,756.

Senator MILLER. In other words, they would receive \$1,600 if they keep that \$2,156 State supplement.

Secretary RICHARDSON. Yes.

Senator MILLER. But they would have to write a check to the Government for \$146 out of that combined income so that the \$3,756 will be reduced by \$146.

Secretary RICHARDSON. Yes. It would be, I assume that it will be made in monthly payments. That \$146 is the gross annual payment.

I might add a word on this which applies to all of the bonuses shown on the chart. The medical insurance bonus, the housing bonus, and the food stamp bonus, in each case represent a benefit to the family in terms of a value received in addition to the cash paid by the family for the item.

In the case of housing the family would be paying rent out of their gross cash income, and the bonus is the value of the rent over and above the amount they are paying. The same is true for the health insurance bonus. It represents the benefit above the amount paid for by the family out of its own income. Likewise, the food stamp bonus shown represents the value of the food over and above the cash paid by the family for the stamps.

In each case, in response to the committee's requests in April and May we have eliminated notches or disincentives by providing that a gradually increasing proportion of the family's income would be required to pay for food stamps, housing, and medical insurance. To put it the other way around, a gradually decreasing bonus for each item has been built in. These provisions were necessary for eliminating the notches.

Senator MILLER. Well, I understand and that is to me one of the attractive features of the family health insurance program.

However, if the insurance program is a Federal program, and if the \$146 in the case of the first line up there would accrue to the benefit of the Federal Government, how would that be implemented? Would the monthly payments which total \$1,600 for the year under the family assistance plan, be reduced by a checkoff of a proportional amount of this \$146?

Secretary RICHARDSON. Yes, that is probably the way it would be done, Senator.

MEANING OF INCOME

Senator MILLER. Now, with respect to earnings, we have been talking about cash earnings, but suppose there are in-kind earnings, for example, the use of a room or a home. As you know, there are a good many tenant farmers who receive as a part of the consideration for their services the use of a house for the family. There are some employees who receive board, meals. Are those going to be taken into account in determining the earnings?

Secretary RICHARDSON. Where such in-kind benefits would be taken into account in determining income for tax purpose they would be. I understand that the determining factor in such cases usually is whether or not the individual is required to live in a place for the convenience of the employer. In the case where people live on the

farm, there has been a lot of thought given to the question of whether or not imputed income should be considered. The conclusion that we reached at this point is that it should not be. But that does raise the question you raised earlier, Senator Miller, with respect to whether there ought to be a differential in determining what the poverty line is in rural areas as distinguished from cities. We have agreed that we would take another look at that.

Senator MILLER. Well, of course, that would be an example for this which would be important. But I suggest to you that there can be a good many people living in the urban areas who received board and room or board or room in connection with their employment, and if we are looking at the economic situation of an individual I am wondering why that should not be imputed also.

Secretary RICHARDSON. In theory, of course, it should be considered if it is income as distinguished, from room and board. For example, I think a good clearcut case would be the bed provided to a fireman during hours when he is supposed to be in the fire station. It is clearly there as part of his job.

In the program we are talking about benefits become available only if a family has children. The children need to be in the home to be considered part of a family. The minor exceptions to that would be the case in which the father or the wage earner is away for purposes of finding a job or because the job requires it. Thus, I think that the cases in which the whole family would be together and would also be gaining the benefit of free board and room would be exceptional. The determining factor in such a case should be the one I suggested, whether the employee is required to be there for the job. If it is, in effect, a free benefit, then I think that it should be provided in regulations that its value be considered income.

Senator MILLER. I am thinking, for example, and I think we can all think of examples, of a caretaker. There is a caretaker's house on the property, and the family lives there, and it is meaningful, very meaningful, to them, to have quarters for the entire family, otherwise they would have to pay rent and possibly food in addition to that might be involved in the remuneration. It would seem to me that something ought to be done to try to develop some imputed earnings if we are trying to hold the number of people down, which is one of the major concerns of many of us.

Secretary RICHARDSON. I agree with you, Senator—

Senator MILLER. What we are doing is looking at the economic status of people, and we are not interested in covering people whose economic status should not be covered.

Secretary RICHARDSON. I think this is a very well taken point.

We have defined remuneration for service in section 443(a) of the act. You will find this on page 9 of the bill with the administration's revisions under the heading "Income," and under at the subheading "Earned Income." I think the short answer is that we intend to consider any remuneration which may be in-kind as well as in cash. The next question then is whether the benefit of the occupancy of a home or of free meals is to be deemed remuneration in a given case.

It has been pointed out to me, Senator, that the section referred to there is a section of the Social Security Act which defines remuneration

for purposes of social security contributions and benefits. It says "remuneration paid in any medium other than cash." So, in other words, if it is remuneration paid in-kind it still counts as income.

Senator MILLER. Then what we are really talking about in the case of earnings is not just cash income.

Secretary RICHARDSON. That is true.

Senator MILLER. But cash or in-kind.

Secretary RICHARDSON. Yes.

Senator MILLER. Thank you.

\$60 MONTHLY DISREGARD

Now, I realize it is difficult to refine things when you are trying to cover a large volume, but, at the same time, I suggest to you that you might do a little more refining, if I am on target on this, in the case of the imputed \$60 a month expenses which we are disregarding because to me what that means is that, if I read the chart correctly, a person who receives \$720 in actual, let's say, cash income, is deemed to have had \$720 of expenses in connection with earning that income as a result of which his earnings are zero. Is that correct?

Secretary RICHARDSON. Yes.

Senator MILLER. Wouldn't it be more realistic to scale out that \$60 a month proportional to the total earnings because to me it just does not make sense to say somebody who earns \$720 a year has had \$720 of expenses. I can see that if somebody has, let's say, \$5,000 of income a year, but you are treating them all alike. In other words, first, a person who has \$5,000 of income, has an imputed expense of \$720; a person who has \$720 income had imputed expenses of \$720. I suggest to you that that is a little too simple. I realize it is very workable but I don't think it is fair.

Secretary RICHARDSON. Senator, I point out that to some extent the matter is presented artificially on the chart. It is rather hard to conceive of an individual working full time receiving only \$720 in a year. The \$720 is 12 times \$60 a month, and \$60 a month is a fair average figure for the costs that would be incurred by an individual in going to work. The more likely situation might be one in which the \$720 of income had been from part-time work incidentally during the years or in part of the year. In the case of the individual who had worked during the whole year, earning \$3,000 for example, the monthly working expense of \$60 would be a fair estimate.

At any rate you get into a great many problems of the kind that are showing up nor in the 1967 amendments where an attempt is made on a case-by-case basis to cover identifiable work-related expenses. One of the things we do want to do under this program is to be reasonably fair and to simplify the administration so that it can be handled without a great deal of constant paperwork and recalculation of benefits.

Senator MILLER. I recognize the administrative necessities but, at the same time, I question whether the necessities are so great as to have an across-the-board imputation of expenses.

Now, do I detect from your answer that in the case of those with part-time earnings that they would have only a part of the \$60 a month or \$720 a year imputed expenses allocated to them.

Secretary RICHARDSON. No. It is deducted from the first gross earnings. But I was trying to make the point that the situation would be an unlikely one in which the individual's earnings were actually \$60 a month evenly throughout the year.

Senator MILLER. I realize that would be unlikely but I can see how it could happen. Now that is an illustration merely to point up what I think is an oversimplification on the matter of the imputation of expenses.

It would seem to me that one other approach, at least, that might be tried, would be to impute expenses on the basis of dollar amount, so much expenses for each thousand dollars or major fraction thereof, or possibly on a percentage basis. You might find that that would be administratively workable. I would like to suggest that you have your people look at that because this does give me some difficulty.

Secretary RICHARDSON. I would be glad to do that, Senator.

I might just make several supplementary observations. One is that the \$60 figure was arrived at on the basis of a Bureau of Labor Statistics survey of costs of working in seven cities. It is an average drawn from that survey. It is supposed to cover expenses like transportation, clothes that an individual would not otherwise find it necessary to buy, union dues, and so on. But the second quite important point is that the disregard of the \$60 a month figure is in itself designed to provide a degree of work incentive to get the individual over the threshold from no work to some work. To allow the individual in these circumstances to keep the first \$60 earned in a month without a deduction in the family assistance plan benefits or State supplement does have that function.

However, we will be glad to reexamine this. I think the question is well taken.

Senator MILLER. I am well aware of what you just said about the incentive, but as you well know, while the incentives speak very well, if it appeared one of the problems is whether the incentives are great enough and if you treat them all alike starting with the lowest echelon income on up, treat them with imputed expenses of \$720 a year, it might tend to impede the incentive side of the ledger that we are looking for. In other words, if somebody is making a thousand dollars a year and has imputed expenses of \$720, and somebody makes \$2,000 a year and still has \$720, you are treating them both alike, and I suggest to you that that has a disincentive impact as between earnings categories.

In any event, if you would look into that I would appreciate it very much.

Secretary RICHARDSON. We will do that, Senator.*

WELFARE REDUCTIONS FOR REFUSAL TO TAKE TRAINING OR WORK

Senator MILLER. Now, Senator Williams asked you yesterday about what would happen in the case of a person who refused to take job training or to take a job, and my understanding is that the \$1,600 or the family assistance plan benefit, whatever it is, would be reduced by \$500.

*The Department's response appears in appendix C, p. 1156.

Secretary RICHARDSON. Yes.

Senator MILLER. Then the next question was—

Secretary RICHARDSON. Correct.

Senator MILLER. What would happen to the State supplement? In the case of New York, for example, the staff advised us that the amount of \$2,156 would be reduced by \$124.

Secretary RICHARDSON. I do not have before me, Senator, the basis on which that calculation was made.

The essential answer is that the supplement would be recalculated on the basis of a family of three under the provisions of the State plan, taking into account any income they otherwise had, including the family assistance benefit of \$1,100 in this case.

Senator MILLER. What I am getting at is that since with respect to the family assistance plan benefit in the case of the first two categories we would reduce the family assistance plan benefit by five-sixteenths, why not require that the State supplement be reduced by the same proportion at least?

Now if we did that in the case of the New York State supplement of \$2,156, five-sixteenths would be \$674, and we would be treating the State supplement reduction just the same as we treat the family assistance plan reduction or family assistance plan benefit, and to me that would be more consistent.

Secretary RICHARDSON. I think that is a good idea, Senator. It may be a good way to do it.

The bill is not explicit as drawn on this point. We will submit language to make perfectly clear the consequence we intend.

Senator MILLER. It would be consistent with what we are doing on the Federal side and I think it would be just as administratively feasible if not more so than doing it the other route.

Secretary RICHARDSON. I think that is true. It would have the further advantage of moving in the direction of one of our major objectives which is to bring about a greater degree of uniformity among the States.

REDUCING WELFARE ROLLS

Senator MILLER. Now, finally, as I indicated the other day, one of the concerns I have is that according to the figures in the staff report if this plan went into effect, as passed by the House, with the amendments you have recommended to us, but not with the family health insurance program in it, about one out of every four citizens, of the people, I should say, of Kentucky, would be deriving some benefit from welfare. Now this is a tremendously high proportion of people in a State, and I suppose you might get into some counties where the proportion would be even higher than that. Just looking at it from the State standpoint, this causes deep concern on the part of myself and a number of other people, and when I get back to my State and point this out there is great concern expressed about the proportion of the population in a State that are deriving benefits of this nature.

Suppose that you ask your staff to devise or revise this program so that only one out of eight in Kentucky would be covered. That would still be more than are presently covered, substantially more, but I am just wondering what kind of a program we would see if you did that.

Secretary RICHARDSON. The most obvious way you could do that consistently with the approach set forth in the bill would be to reduce the family assistance benefit which, as you know, is calculated on the basis of \$500 each for the first two members of the family, and then \$300 for each additional member. This is, we think, a pretty low benefit level as it is.

The only other possibility—one which we could look at—would be to have a minimum cutoff. One of the reasons that the numbers of people added under the family assistance plan is as large as it is is that many recipients would be receiving rather small amounts of cash in a 12-month period. We have a calculation on this which shows that there would be a substantial number receiving less than a hundred dollars during the year.

Senator MILLER. Have you provided that for the record?

Secretary RICHARDSON. I don't think we have but I will be glad to do so at this point.

Senator MILLER. I wish you would.*

Secretary RICHARDSON. There is this further comment to be made. The numbers of families and individuals covered under the plan appear larger in comparison to the present AFDC roll than would probably turn out to be the case because comparisons are made between the number of people who would be eligible for coverage under this plan, on the one side, and the number of people who are actually on the AFDC rolls on the other. It is very difficult to guess how many people there are eligible for AFDC who are not now on the rolls, but our best estimate is that only about half of those who are technically eligible are now receiving AFDC benefits. If the same ratio of recipients to eligibles were applicable under family assistance, then the comparisons that are shown in the committee's blue print substantially inflate the number of additional families and individuals who would be receiving aid.

Of course, one of the factors we identified yesterday as responsible for the rapid rise in the AFDC rolls is that more and more of those who have been eligible are finding out about their eligibility in one way or another and are applying for benefits.

Senator MILLER. I can recognize some slippage in any plan, but I think that the purpose of the Congress in enacting something like that is those who are legitimately covered, and probably sought out, that there should be no slippage as far as our coverage is concerned, and if that is our purpose, and I think it is, then it seems to me that what we ought to be looking at is what is the coverage of the law and, as I understand it, by the committee's staff work, about one out of four people in the State of Kentucky would be deriving some benefits, and I suggest to you this is a very high proportion.

Now, if you were to ask your staff to revise this plan so that only one out of eight would be covered, I am wondering why you couldn't tackle this from several standpoints. For example, doing something in the area of exempt earnings somewhat along the lines that we talked about a few months ago, refining it a little more would be one

*The Department's response appears in appendix C, p. 1156.

way. I don't know how many people that would affect but that might be one area to explore.

Another would be, what would be the reduction in the coverage once the family health insurance plan gets into effect, and I would think that that might chop off quite a number of people.

Another would be to scale down the eligibility by using a sophisticated approach which would be based upon the differences in cost of living by area, and as between rural and urban.

Another possibility would be for you to recommend that the Congress change the low-income allowance, which we passed with the Revenue Act of 1969, to increase the coverage there, so that the tax law would not extract as much tax from some of these people and, as a result of that, would not add them to the number of people covered under this plan.

These are just a few ideas that have come to my mind as to what might be done by way of trying to revise this so that there isn't what appears to be such a tremendous number of people in the State of Kentucky, and others, who would be covered. I suppose that if we refine this by urban and rural and perhaps by cost of living in addition to that by area, that we might find that that alone would change the picture in Kentucky considerably.

Secretary RICHARDSON. In reference to the cost of living variation among different regions of the country, I think it is necessary to point out again that this is to a large extent covered by the differences in the State supplements. Generally speaking, the areas in which the cost of living is highest are also the areas where the present AFDC benefits are highest and, therefore, where the State supplement would be highest.

I also think that there is merit in your suggestion. If we are going to enact a program, then there is some kind of affirmative responsibility to assure that those who are eligible for it have the opportunity to benefit from it. But on that approach the AFDC caseload could be expected to grow very much higher than it is now. If our estimate that only half of those eligible are receiving AFDC benefits is correct, then the rolls could be expected, potentially, to double. But if the calculation were made on the basis of potential recipients, rather than the eligible population, then the additional numbers who would be covered under the family assistance plan by comparison with the present caseload would be proportionately less.

One indication of the differential between eligibility and actual taking advantage of existing programs is the fact that the food stamp program now makes more people eligible for food stamp benefits than would be covered under the proposed family assistance plan, and yet the number taking actual advantage of this is, of course, lower.

The food stamp plan breakeven is about \$4,200 income for a family of four, and the plan includes single people and couples without children. So even under an approach that did, in a sense, aim at informing people of their eligibility, there would be some substantial slippage.

But these are just comments, in effect, on this general question. I think the point you raise is a very significant one which we will certainly look into further and be prepared to discuss with you at a later date.

Senator MILLER. Well I, for one, would like to see what an alternate plan looks like which, you could say:

We will ask for an alternate plan under which one out of eight people in Kentucky will be deriving benefits rather than one out of four, and here is how we did it and here is how we could have done it otherwise, too.

Then you give us a basis for making a decision. We may not agree with it but we know what the options are, and that is one thing that I am, and I think others also are, looking for are options because we are concerned. We want to do something but we don't have the options and we are not quite sure where to go.

One other option that I do hope you will explore is this matter of increasing the low-income allowance coverage, because the point has been made why not increase the low-income allowance, don't add them to the welfare rolls, instead of leaving a category untouched by the low-income allowance as a result of which they have to pay taxes, as a result of which they come under this plan, and to me that makes a lot of sense.

So if you would have your staff make a study of these options and give us as many alternate plans as you wish, but I think we need options before this committee.

Secretary RICHARDSON. I would be glad to do this, Senator. I consider that our role in relation to this committee is, first of all, to make as clear to the committee as possible what the route has been that was followed by the administration in reaching the point it is at now. We want to do whatever we can to make clear what was considered and rejected and why. We would be glad, as you have requested, to provide additional options with all the relevant considerations, as we see them, and the underlying data so that you can consider the course you want to take.*

Senator MILLER. I appreciate that. You have indicated your complete willingness to work with the committee, and I detect that most of the questions have taken a turn for, what you might say, the constructive side of it. I think all of us are in agreement on the need for a change of philosophy. I didn't hear any dissenting reactions by means of the committee when Secretary Finch appeared and laid out a philosophy, much less is there criticism, or, should I say, disagreement, over the criticism of the present plan. We all understand that that is bad.

What we are striving to do is to come up with not only something better but something that is going to be received well by the people affected and by the people paying the bill, and all my questions have been asked in that vein and I am sure you understand it.

DETERMINING ABILITY TO WORK

I would like to ask one more question, if I may, Mr. Chairman, and if this has been covered please forgive me.

In determining whether a person is able-bodied, what would be the procedure in administering this legislation for that? Does this require

*The Department's response appears in appendix C, p. 1157

a medical certificate or just how does one determine whether a person is able-bodied?

Secretary RICHARDSON. It would be done by referral of the individual who claimed a basis for exemption from the registration requirement to the State vocational rehabilitation agency, which would then make a determination on the same basis essentially that they do now for purposes of disability benefits under the social security program. That would also mean that in having the opportunity to determine the degree of disability of the individual, the vocational rehabilitation agency would have the opportunity and responsibility of determining whether or not the individual could be rehabilitated to the point of being able to work. And it is, as I think has been mentioned from time to time, a requirement in those circumstances, if a feasible rehabilitation plan can be developed for the individual, that he accept this rehabilitation program as a condition of continuing eligibility for assistance. This is similar to the provision under which a person would be required to undertake additional training or, as the case may be, to accept an available job.

TRAINING FOR THE EMPLOYED

Senator MILLER. Thank you.

I do find one more question and then I will be through.

Suppose we have some people who are earning \$2,000, and they are unhappy with their lot in life, and they want to take training because they figure if they take training they will earn \$5,000 or \$6,000, what do we do in that case? They decide that in order to take training to better themselves they are just not going to be working and earning \$2,000 for 6 months or longer, what do we do in a case like that?

Secretary RICHARDSON. We do two things, Senator. First or all, the individuals who are already working would register with the Labor Department on the same basis as the unemployed individual would register.

In the second place, we have specifically planned for 75,000 retraining and upgrading slots for these people in addition to the 150,000 training slots that would be provided for those who do not now have any jobs. We hope that, as the program develops, more and more of the male heads of families working full time, but at very low wages, would take advantage of these training opportunities.

Senator MILLER. Well, would that person be given a lower priority for this training than somebody who is not working at all?

Secretary RICHARDSON. No. This is why we provide for 75,000 slots that are set aside specifically for this group—in order that there will not have to be at least for that number in competition with the group who are unemployed.

There is also the provision that I mentioned yesterday that would encourage employers to provide on-the-job training through making available to them the amount of the family assistance benefit for the individual, to be counted toward a subsidy of an on-the-job training program.

Senator MILLER. Thank you very much. Thank you very much, Mr. Chairman.

Senator ANDERSON. Senator Byrd.
 Senator BYRD. I will yield to Senator Harris.
 Senator HARRIS. Thank you very much.

REDUCTION IN BENEFITS FOR THOUSANDS UNDER FAP

Mr. Secretary, as you stated the other day the revised bill would set the State supplementary payment level at the amount a family with no income would be paid in the State, and that would result, it was testified, in a welfare cutoff for some, and for others a reduction.

Further, the revised bill, as you have testified, would discontinue Federal sharing in payments to families with an unemployed or underemployed father in the home.

Thereafter, you testified, as I understood it at the time—perhaps it was not intended to be a commitment but just a statement of possibility—that there was some intention on your part that there would be a grandfather clause so that no person now receiving benefits would have them eliminated or reduced by the passage of the revised bill.

And, then, I noticed in the morning paper, yesterday afternoon, when I was not here, you made some commitment about reducing some assistance payments now without even waiting for the passage of the new law.

Now, where are we in regard to people who would be cut off welfare or have their welfare reduced under this bill or by administrative action which you plan?

Secretary RICHARDSON. Well, there are three distinguishable situations involved, Senator. One is the unemployed father of an AFDC family. The second is the problem that arises out of the fact that in 22 States there is a differential between the amount which the State AFDC program defines as the needs of a family of a given size and the actual amount paid to the family under the State public assistance program and which either impose statutory maximums, or pay a percentage of unmet need. In those States there is a gap between the actual amount paid and what the State says a family of that size really needs to live on with the result, that there is a disregard of a portion of earning which the family may receive between the actual payment level and the need standard. In other words, the family in that situation is able to keep a larger amount of its earnings than when it reaches the need level, where the so-called "30½ formula" takes over.

Now that, of course, produces a highly inconsistent situation among States with respect to the relative earning incentive of families with earned income.

So the Department purported to take care of that in section 452 of the bill on a basis which, in effect, would have provided a single State supplemental payment for all families of a given size.

Senator HARRIS. This was a change between the time the first bill was submitted and the revised bill was submitted?

Secretary RICHARDSON. Yes.

Now that would have resulted in a situation in which as many as 300,000 families could lose benefits. So in order to avoid that, I said, that having considered various ways of handling the problem we would propose to "grandfather" present recipients.

Senator HARRIS. Could you furnish us with a list by States of those

numbers and the amounts of money involved that would be cut off or reduced as a result of that provision, save for the possibility of grandfathering them in?

Secretary RICHARDSON. Yes.

Senator HARRIS. Now, go on to the grandfathering situation.

Secretary RICHARDSON. The third situation—

Senator HARRIS. No, what is your position presently with regard to grandfathering in those numbers?

Secretary RICHARDSON. Well, we think we should do it, and our proposal in effect would be to "grandfather in" all the individuals and families who are presently getting this benefit but not for families newly coming on the rolls. The number of families involved would decline, considering that there is roughly a 50-percent turnover in the AFDC roles in a given year.

Senator HARRIS. Now, let's go to the other cases that I mentioned and you mentioned in exactly the same way: what the numbers are, and let's get charts, if we may, by States of numbers and money of cutoff or reductions as a result of the revised bill, and then what your position is in regard to grandfathering them in.

Secretary RICHARDSON. Well, this brings us to the category of the unemployed-father AFDC family. There are about 90,000 of these families nationwide. We felt, in looking over the situation as a whole, that providing supplementation for this group and not for the working poor created an actual incentive not to obtain a full-time job. If we maintained the bill as passed by the House, this would occur because an individual could work up to 30 hours a week, or at the State's option 35 hours a week, and still be considered unemployed for purposes of this provision of the law. So under our June revisions we recommended to the committee that the Federal Government no longer participate in supplementation of unemployed-father families. This would mean then that, except where the State made up the difference, there would be a potential reduction in benefits for those in families.

Senator HARRIS. The difference between your first bill and your revised bill, except for some other action, would be a reduction in welfare payments in this category, I believe you have said, for something like 90,000 families.

Secretary RICHARDSON. 90,000 families.

Senator HARRIS. Could you give us a chart on that, then, showing how that breaks out by States, numbers and amounts?

Secretary RICHARDSON. Yes, we will give you both the charts you requested.

(The information referred to follows:)

Under the Administration revision of H.R. 16311, there would be no Federal participation in State supplementation of AFDC-UF cases. Furthermore, Section 452 of the Bill would specify a payment schedule for State supplementation that is different from the present AFDC payment schedule in some States. These two provisions would result in Federally mandated payments being lower than actual current law payment for some families. If all such families already on the AFDC rolls were "grandfathered" into the old payment schedule with the implementation of Family Assistance, the following table shows families affected by State and the first-year costs of such a change in the Bill:

[Dollars in million]

	Number of families affected by—		Cost of "Grandfathering"	
	UF repeal	Sec. 452	Total	Federal
Total.....	79,100	370,200	\$198.6	\$59.4
1. Alabama.....		5,100	1.0	.3
2. Alaska.....		1,300	.8	.2
3. Arizona.....		5,700	.3	.1
4. Arkansas.....		6,300	.1	(1)
5. California.....	31,000	121,600	71.9	21.6
6. Colorado.....	600		1.1	.3
7. Connecticut.....				
8. Delaware.....	100	2,900	.6	.2
9. District of Columbia.....				
10. Florida.....		38,600	2.1	.6
11. Georgia.....		45,300	4.1	1.2
12. Hawaii.....	300		.7	.2
13. Idaho.....				
14. Illinois.....	3,500		7.6	2.3
15. Indiana.....		15,900	6.4	1.9
16. Iowa.....				
17. Kansas.....	300		.4	.1
18. Kentucky.....		19,100	.1	(1)
19. Louisiana.....		11,200	2.2	.7
20. Maine.....	100	7,300	3.2	1.0
21. Maryland.....	400		.3	.1
22. Massachusetts.....	2,500		6.1	1.8
23. Michigan.....	1,300		3.4	1.0
24. Minnesota.....				
25. Mississippi.....		4,000	.7	.2
26. Missouri.....	300	25,400	5.8	1.7
27. Montana.....				
28. Nebraska.....	100	5,100	.6	.5
29. Nevada.....		2,000	.6	.2
30. New Hampshire.....				
31. New Jersey.....	8,500		23.8	7.1
32. New Mexico.....		4,300	.1	(1)
33. New York.....	13,900		29.6	8.9
34. North Carolina.....		14,100	.5	.2
35. North Dakota.....				
36. Ohio.....	2,400		2.3	.7
37. Oklahoma.....	300		.1	(1)
38. Oregon.....	3,800		4.3	1.3
39. Pennsylvania.....	2,600		5.9	1.8
40. Rhode Island.....	300		.5	.2
41. South Carolina.....		3,700	.7	.2
42. South Dakota.....		2,300	.1	(1)
43. Tennessee.....		24,300	1.5	.4
44. Texas.....				
45. Utah.....	600		.8	.2
46. Vermont.....	100		.4	.1
47. Virginia.....				
48. Washington.....	2,400		6.6	2.0
49. West Virginia.....	3,700	3,900	.2	.1
50. Wisconsin.....				
51. Wyoming.....		600	(1)	(1)
52. Guam.....				
53. Puerto Rico.....				
54. Virgin Islands.....		200	.1	(1)

*Less than \$500,000.

Note: Original State estimates for fiscal year 1971. Actual caseload will probably be higher.

Senator HARRIS. All right. Now what is your position, then, in regard to grandfathering in that group and how does that fit in with the talk about the regulations?

Secretary RICHARDSON. Well, here we have in mind maintaining State supplementation for these families for up to a period of 2 years. This brought us to the question, which we haven't fully resolved at this point concerning the family where the father goes to work for a couple of months and has an incentive to lose a job again prior to the enactment of family assistance in order to continue to get the supplemental benefits for a couple of years.

Senator HARRIS. Is that problem brought about by the revised bill's recommendations or is that a problem of the grandfathering in?

Secretary RICHARDSON. Part of it is a problem under the existing law. Under the grandfathering approach, the problem arises because it would be necessary to determine when a family would cease to be entitled to the higher benefits applicable under present law to an unemployed father family. For example, a father goes to work at a full-time job, meaning a job more than 35 hours a week, and therefore ceases to be eligible for the State supplement, but loses his job in 6 weeks or 2 months. We would have to determine whether the family would go back on to the unemployed father rolls or would they thereafter be on the same footing as other male-headed families. That is the question that arises under the grandfather provisions themselves, and we haven't definitely arrived at a recommendation to the committee on just how to handle that problem.

Then the final question that arose, which we discussed yesterday, is the question of how much work in a week should the father be enabled to do and still be considered unemployed. What I said yesterday to the committee was that we would revise the Department's regulations on this score. What I have in mind is to make sure that the regulations are so written that the Federal Government is not supplementing the income of a family where the father is working full time for 35 hours a week. In this regard we are talking about existing law and not about the bill.

I think we do need to consider the question of providing some continuation of eligibility for a family where the father may work 35 hours in a given week because of some temporarily available job, for example, as distinguished from a situation where he works regularly.

I think we also need to look at the kind of work or whether he may be in a situation where he can earn quite a lot of money at high wages in a high skill trade, for example, during a short period, but have relatively few hours of work other parts of the year.

At any rate what I said to the committee yesterday was that we would revise these regulations to exclude the possibility of abuse on the part of a father who is working regularly or who does work at substantial income for shorter periods.

Senator HARRIS. That spotlights, of course, my concern. I believe in every instance that you have mentioned here during the last days, when you have made an effort to rationalize what is a very irrational system, and avoid these notches that apply, disincentives to work which presently exist, you have done it to the detriment of the recipient. He winds up being the victim of rationality. We would get a much more rational system at his expense. We would wind up cutting down his medical insurance bonus or we would wind up phasing down his food program or we would wind up cutting down the unemployed father family payment or we would wind up cutting down or cutting out the Federal sharing in the supplementary program for those who work. Always, under your recommendation, we would wind up trying to make a more rational system at the expense of the person we started out to help.

We all have been talking about the need to help poor people get what they need most, which is money. Yet, it seems to me, in trying to construct a more beautiful system you have done just the opposite in so many ways here in this revised bill. I don't think that you can cure it by this grandfathering business. I think, first of all, there are

very serious questions of constitutionality about that. If a person is entitled to it now, a person in the future is, also. Secondly, I think that you would just perpetuate the notch problems or you would start up new ones. It is morally illogical, I think, to say "Well, the people presently receiving assistance ought to continue, but in the future we are not going to do it." We ought to remember why the unemployed father program was established; it was to try to reduce the terrible pressure in the present system for the breaking up of families. Everybody has said that is his goal, and yet you are not going in that direction.

So, that worries me very much, all these recommendations that have to do with the subject. I have a question or two on other matters, but if you would like to respond I would like to hear it.

Secretary RICHARDSON. I would like to respond, thank you, Senator.

I think it should be emphasized that each one of the situations about we have just been talking is a situation affecting a relatively small number of families in proportion to the total involved under the reform.

Senator HARRIS. Mr. Secretary, you have said that once before, that this only involves 90,000. That reminds me that Senator Richard Russell told me once that when he came to the Senate, the then Senator from my hometown, Thomas P. Gore, a blind man, was chairman of the Armed Services Committee; he said they had a meeting about benefits for the widows and orphans of those who had been killed in the Spanish-American War. Senator Russell said, "I was a rather young man, and I said, 'well, I don't know how you can call it a war; There were only 385 people killed in the whole engagement.'" And he said that Senator Gore looked at him, almost as if he could see him with his sightless eyes and said, "Son, for those 385 it was a hell of a war." I think that might be said for those 90,000 you are talking about, I don't think it is good to say, "Well, there are not very many of them." For those people, that is a very, very serious matter, as well as for those who are going to be in that position in the future.

Secretary RICHARDSON. Well, Senator, this is why we are proposing to do what we have outlined for those families. But the point I am trying to make is that your comments suggested, that in seeking to fix the system and to eliminate the inequities and disincentives which now are built into it that the inevitable consequence was to hurt significant numbers of people. We concede that it does hurt some people.

Senator HARRIS. I don't think it should. I think you can go in the other direction.

Secretary RICHARDSON. The point is the reforms we have proposed do help, on a basis more adequate than does existing law, very large numbers of people, much larger than the numbers who would be hurt, and the problem, therefore, is how to move toward a more adequate and fairer program of Federal support of the incomes of poor people, including the working poor, in a manner which does the least damage to those families who happen to enjoy under existing law a particularly high combination of benefits. So what we have been talking about really is how to handle the transition. But I don't think we ought to lose sight of the fact that the overall impact of our proposals will be,

we believe, a much fairer and more adequate level of support for most poor people in this country. I think this is particularly true with respect to the impact of our proposal to cover the working poor.

Senator HARRIS. Your argument is that, during the transition, that in order to help some others not now helped sufficiently—the working poor, in particular, and I certainly agree with that—that some have to give up something that they now have. Then, in order to get around that, you have said, “Well, we will grandfather them in. They ought not to have to pay the burden of the improvement in the system,” is that so?

Secretary RICHARDSON. That is so. The point you made about the unemployed father category is true. As you pointed out, the reason why the law was amended to enable the States, if they chose to do so, to provide benefits to families with an unemployed father was to reduce the incentive to family breakup. It is true, that if we put the unemployed-father families on the same footing as the employed father families under our present proposals so that there would be no State supplement to those families supplementation of female-headed families would continue and therefore a degree of disincentive would remain. It is not as great as it would have been before because by covering the working poor we would give a family of four the equivalent of combined benefits of family assistance and food stamps an income equivalent of \$2,440 plus health insurance, which is a lot better than it was before. But the alternative would be to provide benefits to employed families on the same basis as they are now provided in those States that have unemployed fathers. That solution involves a problem of cost.

REVENUE SHARING AND FAP

Senator HARRIS. The real alternative is a matter of money, and you just said it there: it is a matter of cost. It is important to note that, between a beautiful system of assistance and actual financial assistance, those we are concerned with here would choose actual financial assistance. As you said, it is a matter of costs.

With respect to revenue sharing, how much money is in the President's budget for revenue sharing which, I trust, we are not going to enact this year. How much would that add to the \$1,600 FAP level if Congress decided not to pass revenue sharing and, instead, added that amount to this program, which is a method of revenue sharing, that is, it takes some responsibility from the States and assumes some more for the Federal Government.

Secretary RICHARDSON. Well, the first year of budget allowance for revenue sharing proposed by the President is a billion dollars, and this would mean then that—

Senator HARRIS. I believe that would almost exactly eliminate that problem you have discussed in regard to unemployed the underemployed fathers, wouldn't it?

Secretary RICHARDSON. Yes, that would be about it.

Senator HARRIS. How much would it raise the level of the basic benefit under the FAP program for a family of four to use the revenue sharing the first year for that purpose?

Secretary RICHARDSON. You mean to raise the basic benefit?

Senator HARRIS. Right.

Secretary RICHARDSON. It could be raised from \$1,600 to about \$1,800. I might also clarify for the committee in the spirit of Senator Nelson's request for options that one of the ways of dealing with the funding of the family health insurance proposal would be to raise the basic benefit by, say, a hundred dollars.

Senator HARRIS. What about the food stamp program, first at the cost as passed by the Senate and, second, at the cost as recommended by the President. How much money is involved in each of those propositions, and what would that raise the benefit level by, if you paid that in cash, rather than in food stamps?

Secretary RICHARDSON. We have calculated, Senator, that the President's food stamp recommendations would cost \$1.8 billion in fiscal year 1972, assuming that the stamps would be made available to all the families whom we would propose to cover under the family assistance plan as now before you.

UNIFORMITY OF PAYMENTS NEEDED

Senator HARRIS. As you know, I have introduced a plan which does not have these notch problems. Also it would give some uniformity among the States, with no incentive for migration, if there is such an incentive now. But under the bill which you have proposed, even the revised bill, you would still have considerable variation, wouldn't you, in the amount of payments? Isn't it true that if the Federal Government took over the administration of that part of the program you would be issuing checks to families of four in similar circumstances that would still range from \$138 to \$347 a month?

Secretary RICHARDSON. Well, of course, that differential is brought about by the State supplement.

Senator HARRIS. That is my point. You have said that uniformity was one of your goals. Secretary Finch said that was one of his goals. President Nixon has said that a child in one State should not be worth more than a child in another State. My point is: How much will we really be getting away from that present variance, which we have all uniformly condemned, if we enact the revised bill which you recommend?

Secretary RICHARDSON. Well, there would be at the lower end of the scale an increase in benefits for a family of four in approximately eight States, which would account for about 18 percent of the families covered under the proposed plan. These would be the families who would, in terms of present AFDC coverage, actually gain in benefits, putting aside for the moment the working poor families.

At the upper end of the scale, there would be Federal participation in 30 percent of the State supplement up to the applicable poverty level for the family. But it is true that there would remain differences. Elements of uniformity would, it is fair to say, be achieved in other ways that are also significant. These would include determination of eligibility considering such important factors as the amount of assets that a family could have without being required to liquidate anything. It would provide uniformity in the exclusion of the family home, the elimination of liens, the recognition of the need for a family to have assets involved in work, and so on. So there would be uniformity in these respects where there is a wide range of variance now

from State to State. We think that these are all very positive aspects of the plan.

If we were to go beyond that, of course, and to make, let us say, the poverty level itself the basis for determining payment levels under the plan, we would be committing the Federal Government to vastly increased costs.

Finally, there was a point brought out by Senator Miller that there are, after all, variances in the cost of living regionally and these are circumstances taken care of by the State supplement.

Senator HARRIS. That type of variation would be taken care of anyway in any kind of a new system. I don't think that is any argument against the federalization of the welfare system which I support. What worries me, Mr. Secretary, is that, here, we are giving people to understand that we are in a major way revamping and overhauling the system and eliminating all these problems, but in many ways we are perpetuating a great many of them. One such problem is this tremendous variation between States on how much people receive. But, again, as you said, that is a question of costs. Congress must decide, as the President has, how they think limited resources should be divided.

WORK REQUIREMENTS FOR MOTHERS

Let me ask you another question. We often do things, as we have with this welfare system in the past, and then wake up to find it has made many rather serious judgments—about how people ought to live in this country, and so forth—that maybe we hadn't intended. I worry about this and about the work requirement in regard to mothers, as you know. The questions that this new system raises are ones that we might well pause and consider carefully. Do we consider, for example, a mother's work caring for other people's children more valuable than what she does for her own? Do we consider a mother's work in the home, where a working father is present, more important than that of a mother raising children alone? The latter question, of course, is, as you are quite aware, prompted by the requirement in the bill that a mother of school-age children, where there is no father in the home, sign up for work and training, whereas, if there are two parents in the home, she would not be so required. What about those kinds of questions? Have they been thought out? Are those the kinds of judgments society wants to make, that society and children are better off when a mother is required to go to work, rather than be at home with her children? The operative word is "required."

Secretary RICHARDSON. Well, let us take the second point. Certainly the plan before you does reflect the judgment that, where we are talking about providing an income supplement under a public program paid for by taxpayers generally, it is reasonable and fair to expect that a mother who can work, even if her children are in school, will work if she is given the opportunity and has the training that enables her to work.

The proportion of American women today who have school-age children, who can choose whether to work or not, and who do choose to work, is very high, and growing substantially. On this basis, it is reasonable in determining whether or not a family should have its income supplemented out of public funds to say that, as a condi-

tion to receiving that income supplement, the mother should be willing to receive training and to take a job if a job is available. I would agree that this is the kind of thing that one could very well debate. It does reflect a basic philosophy toward work, as a condition of receiving public funds. In this area the administration has adopted the general point of view I have expressed, and we think that it is reasonable.

BUILDING INDIVIDUAL INCENTIVE

Senator HARRIS. I have other questions about day care and other matters, but let me just wind up now with this on this same point: Some people say they believe that unless people are psychologically or philosophically handicapped they will want to work. I believe that. I think that is so, and I think that we can demonstrate it. I think we have experience which indicates that the present system traps people in a cycle of dependency from which they have difficulty breaking out. And that is why we are all here, I take it, to replace that system with one which builds upon individual incentive.

The Office of Economic Opportunity has said that its experimental program in New Jersey indicated that, far from doing away with the work ethic, additional income which allows people some kind of a decent standard of living, decent health, decent housing, clothes for the kids to go to school, and enough to eat, far from destroying initiative and destroying the work ethic, this encourages it even more and that people want to do a little better. They are just like all of us in this room; they want to do a little better still. Do you agree that that is so?

Secretary RICHARDSON. I do, Senator. I think there are many reasons for this which transcend the attitudes and mores of our particular society. I think people want, and I personally believe this is very fundamental, the satisfaction of the feeling that they are making a contribution to their community, that they are a part of it. I think they want the feeling that they are contributing to the support of their own children through their own efforts. I believe that this is a very basic human need and human satisfaction.

So I do not approach these proposals before the committee with the feeling that most people who have a choice between a job at decent wages and not working for the same money would choose not to work. I think it is important to build into the bill a provision that they will be penalized if they refuse to accept a job. But I expect that the occasions on which this sanction is required would be comparatively few. I think, therefore, that we need to emphasize, in looking at the work-incentive side of this program, the other aspects of it, which have to do with creating greater opportunities for the heads of the families to work for the very reasons that you have just stated.

Senator HARRIS. I thank you for a good discussion and I thank you, Senator Byrd, for yielding to me.

Senator ANDERSON. Senator Byrd.

ESTIMATED COSTS OF FAP

Senator BYRD. Thank you, Mr. Chairman.

Mr. Secretary, I would like to go back to where we left off last week. You were to get for the committee the estimate of the total costs of

the welfare program for the fiscal year 1972, assuming that your program is enacted into law.

Secretary RICHARDSON. Yes. What was the question, Senator? I am sorry.

Senator BYRD. Well, the question is, assuming your program is enacted into law by the present Congress, what will be the total cost of the welfare program, the Federal share, for fiscal year 1972?

Secretary RICHARDSON. About \$8 billion.

Senator BYRD. I find that difficult to reconcile with the fact that you state that for fiscal year 1971, if this program were enacted, would be \$9.1 billion, and then you said in your testimony last Thursday that it would be on a full-year basis in 1972, it would be somewhat higher than \$9 billion.

Secretary RICHARDSON. Well, Senator, I am sorry we certainly do seem to be back where we left off.

The figure I gave you of \$8 billion is the figure of the Federal cost of the maintenance payments under the family assistance plan, and it is not comparable with the \$9.1 billion which includes the costs of the training and the day care and food stamps, and so on.

Senator BYRD. That is quite right. That is what we want to get.

Secretary RICHARDSON. The costs, if you include these other factors, would be roughly \$10 billion to \$10½ billion, depending upon what the President and the Congress elected to do in providing for levels of training and day care.

Senator BYRD. So for fiscal year 1972, if your program is enacted, you estimate that the costs will be between \$10 billion and \$10.5 billion?

Secretary RICHARDSON. Yes; depending, as I said, on day care and other factors. It could be held down though. The increase in the costs of maintenance we project is about \$200 million. If you allowed an increase of, say, \$200 million in food stamps, then you would have a question of judgment of how much more to put into day care and training. If these were not substantially increased over the figures shown for 1971, it would, of course, correspondingly hold down the aggregate increase.

Senator BYRD. In any case, it would be a minimum of \$10 billion, it would run somewhere between \$10 billion and \$10.5 billion as a minimum; is that correct?

Secretary RICHARDSON. Well, I would not say as a minimum. That is an estimate. It could be less, as a minimum, if the training and day care figures were held to the 1971 level.

Senator BYRD. It could be more, I assume, too. It could be more.

Secretary RICHARDSON. I think it would be very unlikely to be more, Senator.

Senator BYRD. Then that figure of \$10 billion to \$10.5 billion would correspond, I assume, with the figures on page 23 of the committee print which add up to \$9.1 billion.

Secretary RICHARDSON. What was the question, Senator?

Senator BYRD. I assume that the figure of \$10 billion to \$10.5 billion corresponds to the \$9.1 billion figure on page 23 of this blue book of the committee?

Secretary RICHARDSON. Yes. I meant it to be a corresponding figure. It may be high, Senator, if we were simply to go forward with a

figure for 1972 that reflected only the mandatory increases. Due to projected increases in numbers of families, and so on, the comparable figure would be \$9.3 billion, assuming that the day care, training, and food stamps were held level.

Senator BYRD. You will make up the fiscal 1972 budget, will you not, and I assume you are beginning to work on it pretty soon?

Secretary RICHARDSON. Yes; we are. But, of course, the program has not been enacted. Under current law the anticipated Federal share of the maintenance payments is about \$5.6 billion. That may be a little low under current estimates.

Senator BYRD. You were going to give us a breakdown of the item listed "Other increased costs" of \$0.9 billion—\$900 million. What is the breakdown of that figure?

Secretary RICHARDSON. That is in three components—\$300 million of it is for projected increases in AFDC costs under current law; \$200 million is for projected increases in adult categories under current law; and \$400 million is the anticipated increase in cost of food stamps due to the automatic checkoff.

Senator BYRD. Well, now, you have got increased costs of food stamps of \$400 million in another category.

Secretary RICHARDSON. I am not sure what you mean by "another category," Senator. It is part of the \$900 million.

Senator BYRD. Would you mind giving us a breakdown again of that \$900 million?

Secretary RICHARDSON. \$500 million is the cost of coverage of existing categories under current welfare law; \$400 million is the cost of food stamps. We have a tabulation for the committee which was to be inserted in the record earlier, and I will see that you get this this afternoon, Senator.

Senator BYRD. Thank you.

Now, you were too—

Secretary RICHARDSON. There are two \$900 million figures. I think it would be clearer if we had it all written out.

Senator BYRD. Where is the other \$900 million figure?

Secretary RICHARDSON. There is a total in the bill of \$600 million for day care and training, and \$300 million for administration, which is a cost of \$900 million above existing programs, but not an increased cost in any recommendation before this committee above the House-passed bill.

The \$900 million I was talking about a few minutes ago was a \$900 million difference between the estimates that were before the House and the estimates that are before this committee. I had occasion several times during these hearings to point out that this \$900 million is not a result of any recommendation that was made in the light of earlier hearings. They are revised estimates under provisions of existing law for the AFDC and adult categories and the anticipation of higher food stamp costs because of the automatic checkoff.

So that is a \$900 million difference in the total estimated costs now before this committee as compared with the estimates before the House. They are not, I repeat, costs attributable to the administration revisions themselves.

The other \$900 million figure which was also before the House and which is a cost that does not apply under existing law, is part of the

additional costs over what the Federal Government would otherwise pay. This \$900 million is composed of the cost of administration due to the Federal assumption of administrative responsibilities under the family assistance plan, and the \$600 million attributable to expanded day care services and work training opportunities.

Senator BYRD. Now, you were to supply for the record a reconciliation of the past and present cost estimates. Do you have those?

Secretary RICHARDSON. That is the paper we promised, Senator. I do not have it with me. I will see that you get it no later than tomorrow morning. I said this afternoon, but I had better give us a little more leeway. I do not know why you do not have it already.

Senator BYRD. Tomorrow morning will be satisfactory.
(The material referred to follows:)

Estimates contained in the Ways and Means Committee Report on H.R. 16311 have been compared with those recently presented by the Administration to the Senate Finance Committee in connection with its suggested revisions. Unfortunately, the difference in these estimates, \$900 million, has been incorrectly construed to represent the incremental cost of the revisions over the cost of the House-passed bill. It is not possible to make direct comparisons of the two sets of figures since the more current set is based on improved and updated methodologies as well as more current data and more timely projections from the States. The following makes this more explicit.

RECONCILIATION OF PREVIOUS AND CURRENT ESTIMATES OF THE NET COSTS OF THE FAMILY ASSISTANCE PLAN

Federal costs of H.R. 16311, with the revisions suggested by the Administration, are estimated to be \$4.1 billion in excess of what the FY 1971 cost would be under existing legislation.¹ This represents an increase of \$400 million over the net costs of the House-passed version. The increase results chiefly from the proposal to provide for joint administration of the food stamp program with the Family Assistance Plan. (A much higher degree of utilization can be expected if recipients can purchase food stamps from and through the same process as they obtain cash assistance.) Costs under H.R. 16311 as amended, and under current law are compared in the attached table.

These estimates are not directly comparable to earlier ones, especially those that have been presented for Fiscal Year 1968. When net costs are presented, those for different years reflect different actual (or estimated) costs under existing legislation as well as differences in what total Federal costs would be under the Family Assistance legislation. Federal costs under current legislation have shown a marked increase over the last few years and are projected to continue increasing. In contrast, costs under Family Assistance are estimated to have a much slower rate of increase. The combined effect is a decline over time in the estimated net costs of Family Assistance.

There are three additional reasons why the estimates recently submitted to the Senate Finance Committee should not be compared directly to estimates published earlier: (1) Components of the proposed Family Assistance Act have varied as it has moved through the legislative process; (2) Estimating procedures are continually being updated and improved; and (3) Estimates of the costs of welfare under present legislation have been increasing with more current reports from the States.

All of these factors are relevant in reconciling the differences between estimates appearing in the House Report and those recently presented to the Senate Finance Committee. For example, the following table compares two estimates of payments to families.

¹ Most of the cost estimates are provided for FY 1971 rather than FY 1972, so that consistent estimates of the impact on State costs and caseloads can be presented. The State-by-State figures require projections of current program costs and caseloads from the individual States to serve as benchmarks. These projections are presently available only for FY 1971.

COMPARISON OF 2 ESTIMATES OF FISCAL YEAR 1971 COSTS OF PAYMENTS TO FAMILIES

[In billions]

	Estimates appearing in—		
	Senate committee print	House report	Difference
Gross payments to families.....	\$4.1	\$3.8	\$0.3
Adjustment for decreasing unemployment.....	.1	.....	-.1
Subtotal.....	4.2	3.8	.4
30 percent matching of State supplemental.....	.8	.8	.....
Total Federal cost of payments to families.....	5.0	4.6	.4
Federal share of AFDC payments.....	-2.8	-2.5	-.3
Costs of payments to families attributable to H.R. 16311.....	2.2	2.1	.1

¹ Gross payments are total payments to low-income families under p. D.

The estimate of the *total* cost of payments to families increased by \$400 million. This increase can be attributed to the use of more current data and improved estimating procedures as described in pages 17 through 22 of the Senate Committee Print as well as certain proposed changes in the legislation although the latter are less significant in explaining cost differences. (In fact, a good part of the increase derives from the adjustment in the CPS data that is described on page 22.) The striking thing about the table, however is that the estimated *net* cost is virtually the same. This is because the projection of Federal costs of AFDC payments in FY 1971 has increased in the last months. Both the projection appearing in the House Report and its counterpart in the Senate Committee Print were taken from what were then the latest available estimates from the States.

As presently computed, estimates of gross payments to families are in no way tied to projections of AFDC and do not change as the latter are updated. In contrast, the estimated Federal share of adult category costs with the Administration's proposals do change as projections of the current program are revised. In the adult category, then, a change in the estimated *net* cost due to the Administration's proposal was more offset by applying it to a more recent—and higher—estimate of costs under current law. This is shown below.

COMPARISON OF 2 ESTIMATES OF 1971 COSTS OF PAYMENTS IN ADULT CATEGORIES

[In billions]

	Estimates appearing in—		
	Senate committee print	House report	Difference
Additional cost due to proposed changes.....	\$0.6	\$0.7	-\$0.1
Estimated cost under current law.....	2.2	2.0	.2
Total cost.....	2.8	2.7	.1

One objective of the preceding discussion has been to demonstrate that changes in estimating procedures, conversions to more current data, and the use of updated projections interact in different ways in determining the estimated net costs of H.R. 16311. But beyond this, and as indicated earlier, there have been changes in the proposed legislation which can also affect cost. Such changes can cancel each other out in terms of their cost impact. For example, H.R. 16311, as passed by the House, differs in several important ways from the Administration's original proposal, but the costs remained the same.¹ This is illustrated below.

¹ Page 48 of the House Report contains a discussion of these changes.

Senator BYRD. Now, the estimated costs, assuming this program, the administration's revised program is enacted, the administrative costs, for 1971, are \$9.1 billion. That does not, I assume, include medicaid.

Secretary RICHARDSON. No, it does not.

Senator BYRD. What would medicaid be for fiscal 1971?

Secretary RICHARDSON. May I ask Mr. Hawkins if he will give you that figure, Senator?

Mr. HAWKINS. I do not have a figure with me.

Secretary RICHARDSON. The anticipated medicaid vendor payment costs for 1972 are \$3.3 billion, and this is Federal only, plus \$200 million for administration, or a total of \$3.5 billion.

Senator BYRD. Is that for 1972 or 1971?

Secretary RICHARDSON. That is for 1972.

Senator BYRD. That is for 1972.

What are the medicare costs for 1971, the fiscal year we are now in?

Secretary RICHARDSON. I do not have that figure on this chart. I will supply it, but I think it would be a fair guess that it would be slightly over \$3 billion.

Senator BYRD. Well, suppose you supply it, if you will. I would like to get that figure.

What is the figure for medicaid for fiscal 1970, the year ended last month?

Secretary RICHARDSON. We do not have that figure here, Senator.

Senator BYRD. Will you supply it; could you have one of your staff call my office and then call the committee and supply those figures?

Secretary RICHARDSON. Yes, we will do that as soon as we get back. (See discussion following for answers to Senator Byrd's questions.)

ESTIMATED NUMBER OF PERSONS ON WELFARE

Senator BYRD. Now, the number of persons on welfare in January 1970 was 10.4 million. What was the figure for January of 1969? That was January 1970, it was 10.4 million. What is the figure for January 1969?

Secretary RICHARDSON. This is the number of persons?

Senator BYRD. The number of persons.

Secretary RICHARDSON. While we are locating that Senator, I have now been handed a tabulation that does have the total Federal costs of medicaid for 1970 and 1971.

Senator BYRD. First 1970.

Secretary RICHARDSON. This is \$2,658,122,000 for 1970. For 1971, \$3,113,685,000.

Senator BYRD. And you estimate that \$3.5 billion for 1972?

Secretary RICHARDSON. Yes.

The figure I gave you earlier for the costs for 1972 assumed the enactment of the family assistance plan. If it is not enacted, the total Federal cost would be about \$100 million less, or \$3.4 billion.

Did you want the number of recipients under all categories of assistance?

Senator BYRD. I want a comparable figure to the 10.4 million figure that you have in the chart.

Secretary RICHARDSON. Well, for 1969 that figure was 9,580,000 recipients.

The year before it was 8,481,000. I have here a chart, which we would be glad to insert in the record at this point, showing total numbers of recipients, by years, beginning with 1966, and including estimates through 1976 for all categories, both adults and AFDC. It also shows the percentage changes each year that have taken place to date. The figures are projected for the future years.

Senator BYRD. Would you read the 1966 and 1967 figures?

Secretary RICHARDSON. The first figure here is 7,236,400 for 1966; for 1967, 7,770,000. I think you already have 1968, 8,481,000.

Senator BYRD. That is correct.

(The chart referred to follows:)

PUBLIC ASSISTANCE RECIPIENTS—AVERAGE MONTHLY NUMBER OF RECIPIENTS AND PERCENT CHANGE

Year	Total		OAA		AB		APTD		AFDC	
	Number	Percent change	Number	Percent change	Number	Percent change	Number	Percent change	Number	Percent change
1966	7,236,400		2,080,000		84,400		572,000		4,500,000	
1967	7,770,000	+7.4	2,070,000	-0.5	83,000	-1.7	617,000	+7.9	5,000,000	+11.1
1968	8,481,400	+9.2	2,030,000	-1.9	81,400	-3.1	670,000	+8.6	5,700,000	+14.0
1969	9,580,000	+13.0	2,040,000	+0.5	80,300	-1.4	760,000	+13.4	6,700,000	+17.5
1970	10,360,000	+8.1	2,070,000	+1.5	80,000	-0.4	810,000	+6.6	7,625,000	+13.8
1971	11,479,500	+10.8	2,100,000	+1.4	79,500	-0.6	900,000	+11.1	8,835,000	+15.9
1972	12,629,000	+10.0	2,150,000	+2.4	79,000	-0.6	1,000,000	+11.1	9,998,000	+13.2
1973	13,578,500	+7.5	2,200,000	+2.3	78,500	-0.6	1,100,000	+11.1	10,904,000	+9.1
1974	14,408,000	+6.1	2,230,000	+1.4	78,000	-0.6	1,200,000	+11.1	11,674,000	+7.1
1975	15,117,500	+4.9	2,240,000	+0.4	77,500	-0.6	1,300,000	+11.1	12,328,000	+5.6
1976	15,727,000	+4.0	2,250,000	+0.4	77,000	-0.6	1,400,000	+11.1	12,874,000	+4.4

¹ The estimated numbers of recipients and average monthly payments were projected on the basis of past trends, adjusted to give effect to the OASDHI benefit increases and, for the AFDC program, the effect of the \$30-1/4 earning exemption. Current legislation was assumed to continue in effect, and

no attempt was made to incorporate the estimated effect of proposed legislation; e.g., a further 5 percent benefit increase under the OASDHI system.

Senator BYRD. Now, Mr. Secretary, I am somewhat confused so far as the charts we have before us are concerned. The bill that is before us now, is it the center chart that applies to the bill that is actually before the committee?

Secretary RICHARDSON. Yes. That center chart shows what the situation would be in New York if the bill now before you were enacted without the accompanying changes in the food stamp program and the medical care program which we have also recommended but which are not in this pending bill.

STATE SUPPLEMENT TO THE HEALTH PROGRAMS

Senator BYRD. In the third chart under medical insurance bonus, am I not correct in assuming that you have eliminated from that or omitted from that what the State of New York puts up?

Secretary RICHARDSON. Yes. Of course, under existing law, as shown in the middle chart, the total of \$1,153 represents a combination of roughly one-half Federal and one-half State funds.

On the right hand chart the medical insurance bonus assumes only the proposed federally-funded health insurance plan, without State supplement.

If there were a State supplement, of course, that would correspondingly increase the net money and in-kind figure on the right. We did not put it in simply because we would be guessing as to how the State would choose to supplement.

Senator BYRD. You would not be guessing any more than you would be on the second chart, would you?

Secretary RICHARDSON. The second chart reflects the actual average New York medicaid benefit for a family of four at the income levels shown. It does have a sharp cutoff at the \$6,000 level, is a reason why you get the notch problem which Senator Williams has identified.

Senator BYRD. But your chart is not accurate, it is not an accurate comparison, your third chart or the one closer to you, is not an accurate comparison with the center chart because you deliberately omit the State's share.

Secretary RICHARDSON. We deliberately omitted it because we did not know what the State would do if the Federal Government repealed medicaid and substituted the Federal Health Insurance Plan, which we have recommended in summary form.

I think it is fair to suppose that the State would supplement the Federal health insurance proposal, and it would then change both the medical insurance bonus figure and the righthand column figure.

But because we did not have a basis for estimating what the State would do, we did not put it in. We did point this out the other day in showing the committee the graphs, which were designed to illustrate what we had done in order to eliminate notches, by showing that the line for the third chart was below the line under existing law and the line in the middle chart.

We pointed out to the committee at that time, that a principal reason why the line for the third chart is lower is that it does not show the State supplement of health insurance. We cannot assume, of course, that if the State does supplement the Federal health insurance plan

or were required by the plan itself to do so, it would do so in a manner perpetuating the notch shown on the middle chart.

They could also do it on the basis of a scale which declined proportionately to the increase in earned income, thus, corresponding in this respect to our proposal for eliminating the notch.

RECIPIENTS' CONTRIBUTION FOR MEDICAL INSURANCE

Senator BYRD. Did I understand you correctly yesterday that you planned when the medical insurance bonus goes into effect, you plan to reduce the cash payments to the recipients?

Secretary RICHARDSON. No. This point, which was also discussed earlier today, was that the family would have to pay out of its total gross money income its share of the cost of the premium payment for the health insurance. As its income goes up it would pay a higher share of that income for health insurance.

All this is summarized on page 137 of the green committee print.

This is under the appendix where it says "Illustrative contribution schedule: \$500 premium value per family." I would emphasize that this is intended to be illustrative, and it is not the administration's final recommendation.

Senator WILLIAMS. Would the Senator yield?

Senator BYRD. I will be glad to yield.

Senator WILLIAMS. If I understood your testimony yesterday, you said it would result in a reduction in the cash, total cash, income in the fourth column there.

Secretary RICHARDSON. Yes, I just said that again.

Senator WILLIAMS. That was your testimony. You are saying it again? I wanted to be sure.

Secretary RICHARDSON. It would result in a reduction by the amount of the family's share of the premium payment.

Senator WILLIAMS. That is correct.

Secretary RICHARDSON. Premium cost.

Senator WILLIAMS. How would that be collected, as withholding or would you just send them the check and let them pay you, and if they did not pay you, would you withhold it, or how would you do it?

Secretary RICHARDSON. Our present assumption is that it would be a deduction from the family's assistance payments.

Senator WILLIAMS. It would be withheld, that was my understanding.

And I thank the Senator for yielding, because I understood you to say it would not be a reduction. Whether it is a reduction or a deduction, it is still a subtraction.

Secretary RICHARDSON. It is. Senator Miller brought out this point earlier today.

I would point out here that we have another one of these situations in which we cannot have it both ways. The middle chart shows continuing medicaid payments at \$1,153 under the current law which inevitably brings about a sharp drop when a family's earned income crosses a particular threshold. If we use New York City as an example the threshold is between \$6,000 and \$7,000.

No proposal under which the Federal, State, or combined Federal-State subsidy of health care remains at a constant level will avoid that sharp drop or notch.

In order to avoid it, we have proposed as an alternative a declining subsidy which goes down as income goes up. This means, therefore, that as the family's income from whatever source, goes up, they have to use more of it to pay for the health care.

The same is true, as I pointed out earlier in response to a question from Senator Miller, with respect to each of the things that is identified as a bonus on these charts. The individual pays more of the cost of rent as his income goes up, as is shown there.

Likewise, he pays more of the cost of food stamps.

ADMINISTRATION'S PROPOSED HEALTH INSURANCE PLAN

Senator BYRD. Let me ask you this, Mr. Secretary: If this bill is enacted, and assuming it goes into effect, just to pick a date, February 1, and then assume the next Congress enacts your new program dealing with health insurance to become effective, say June 1, at the end of that 5-month period, after this new bill becomes effective, then the welfare recipients would have their cash payment reduced when June comes around, when the new bill takes effect; is that correct?

Secretary RICHARDSON. That is correct for families in New York City as shown on this chart. Of course, it is also true that in many parts of the country, families would be getting better health coverage at lower cost than is now the case, and they would also receive continued or more adequate cash benefits. The problem is what, in this committee's best judgment, should take precedence—the elimination of the notch, which requires a gradually increasing family contribution toward the cost of health insurance coverage, or the perpetuation of this disincentive Senator Williams has pointed out.

We have thought that on balance it was better to eliminate the disincentive.

We will have to consider various approaches for the financing of the health insurance plan. We will have to consider the question of what the State supplement requirement, if any, could reasonably be. We also need, I think, to look into the question of what the employer's responsibility is, because many, if not most employers, do provide some degree of health insurance coverage for their employees and their employees' families.

Now, if we are talking here about Federal funding of comprehensive basic health insurance for families receiving cash benefits, I am not sure that we should allow a situation to continue in which some employers are providing this and some are not.

Senator BYRD. You mean that you would require all employers to provide such insurance?

Secretary RICHARDSON. I am only identifying the problem at this point, Senator. But it is a question that I think needs to be explored.

When I was in the Department of Health, Education, and Welfare a dozen years ago, Secretary Folsom strongly believed that there should be Federal legislation requiring such coverage for all employees, not under a Government plan, through a requirement that employers have coverage for their employees on at least a minimal basis.

Senator BYRD. When do you plan to submit your health insurance plan?

Secretary RICHARDSON. We have promised the committee and the Congress that we would submit it by February 15, 1971.

Senator BYRD. Do you have any preliminary estimates of the cost?

Secretary RICHARDSON. Well, the objective we have set ourselves, Senator, as described in the committee print, is to fund this program within the limits of the existing Federal contribution to medicaid. This appears on page 132 of this committee print where it says that solutions which are possible within current medicaid expenditure constraints have been considered.

This is a reason why I am led, in light of the cost constraints under which we will necessarily be operating, to think in terms of one, what continuing efforts should be expected of the States by way of State supplement, and, two, of what should be expected of employers under a total plan which is designed to encourage work and which would extend minimum basic benefits to the working poor.

It seems to me that if we are going to provide basic coverage for the working poor that there ought to be a uniform requirement applicable to employers.

Senator BYRD. Now, the bill, itself, says that the Secretary shall submit to the Congress recommendations for restructuring and improving the existing program of medical assistance. If you are going to improve the program, I assume it will be, of course, it would cost a bit more to improve it, would it not?

Secretary RICHARDSON. In the aggregate it would have to, yes. But I would point out the language on the bottom of page 137 which says that:

A \$500 health insurance plan would exceed the current average Medicaid value to AFDC families in 28 States, including State and Federal funds. It would exceed the Federal portion of average AFDC family Medicaid value (currently about \$350) in 45 States, and the State funded portion (currently about \$310) in 48 States.

This brings us back, Senator, to the reply I made earlier to Senator Williams that this is a complicated problem. We could not possibly resolve all the inherent questions in time for this committee to act on it concurrently with the bill now before you.

Senator BYRD. I agree it is very complicated.

Let me ask you this, though: Is it logical to put in a new welfare program giving increased additional benefits to welfare recipients, and then 2, 3, 4 or 5 months later take away from those same people a substantial part, namely, the amount they will have to pay on the insurance?

Secretary RICHARDSON. Well, we may have another transition problem here, Senator. But I would say, first, the committee has before it the opportunity to make substantial improvements and reforms in the welfare program independent of medicaid or health insurance coverage of the same families.

You could have a situation continue indefinitely in which the existing medicaid provisions were allowed to remain in effect.

The result would be, in some States particularly, the disincentives shown in the middle chart. But the fact that this disincentive continued to exist, as it exists under present law already, would not be a reason in itself for not reforming the welfare laws.

The disincentives that exist under present law are worse than the disincentives shown on that middle chart. So you would be making forward progress on a critically needed reform by passing the present bill.

Insofar as there were problems of loss of benefits for any individual family, we may have a transition problem of the kind that Senator Harris' questions revealed earlier.

But I would point out that that is the problem which is confined to comparatively few States—New York is one—with large medicaid programs.

Part of the problem that now faces us is that the relative expenditures of the States and Federal Government for matching medicaid are unequal between States; the range is very wide.

Senator BYRD. I am trying to get back to the welfare recipient himself, or herself, who will have her, who will receive increased benefits for a period of 2 or 3 months, and then will get reduced benefits.

Secretary RICHARDSON. That would be true if the family health insurance plan is enacted. So what I am saying is that the committee will have the opportunity in considering the administration's proposed Federal health insurance plan bill to deal with the transitional problem now for welfare payments in the case of the unemployed father family.

So that the problem does not arise from anything you do under this bill. The problem arises from what you do under the health insurance bill. There the question will face you whether to continue the present medicaid program, to substitute something like the Federal health insurance plan which we have outlined to the committee, or to seek some third alternative.

In light of whatever action the committee believes to be wise, it can also take whatever transitional steps it believes are necessary.

GUARANTEED MINIMUM INCOME FOR THE AGED

Senator BYRD. Now Mr. Secretary, the bill would require States to assure a minimum, a guaranteed minimum, income of \$110 a month for each aged person.

Secretary RICHARDSON. Yes.

Senator BYRD. This would mean a benefit for a couple of \$220 a month.

In our social security program the benefits per couple are 150 percent that of an individual. Few, if any, couples today receive social security retirement benefits as high as \$220, as I understand it.

What is the reason for having welfare benefits for a couple twice the amount of benefits for an individual?

Secretary RICHARDSON. Well, the reasoning behind this, as I understand it, Senator, is that the social security benefits are a basic income protection for families, who, in many cases, would supplement those benefits through various forms of private savings or through pension programs.

The \$110 amount that is contemplated under the adult categories is an amount that would be payable only if the family had no other income at all. In fact, if the family were receiving as its only other income the minimum social security benefit, then that would be supplemented under the family assistance program.

Senator BYRD. Is this statement correct: The bill would require States to assure a guaranteed minimum income of \$110 a month for each aged person?

Secretary RICHARDSON. Yes, that is correct.

Senator BYRD. Then your response to my previous question would certainly indicate to me that those on welfare will receive a preferential treatment as compared to those on social security.

Secretary RICHARDSON. Well, I can only repeat, Senator, this is the maximum benefit. They do not get \$110 automatically. It means that if they have no other income at all they would receive \$110.

Senator BYRD. So a couple would receive \$220, whereas if a couple were on social security they would receive \$110 plus 50 percent of that, which would be substantially less than the \$220.

Secretary RICHARDSON. This is true. The difference is the difference in the character of the programs. One is designed to be a contributory, work-related system.

Senator BYRD. Not work-related for the social security when you are prevented by law from earning over a certain amount of money. You are not supposed to be working, you are not supposed to work once you are on social security. The law discourages you from working.

Secretary RICHARDSON. The administration's social security proposals do increase the opportunity for earnings.

Senator BYRD. But it discourages you; the new program that you recommend, plus and including the present program, both discourage working on the part of those who draw social security, does it not?

Secretary RICHARDSON. No. We propose both to raise the amount that an individual could receive without any loss of social security benefits, and to permit the individual to keep half of earnings above that. This is a recommendation about which I testified earlier before the committee.

Senator BYRD. Well, the whole endeavor is to discourage people from working when they draw social security. Otherwise, why not take the limit off? Why put the limit on, anyway?

Secretary RICHARDSON. Well, the reason for that, Senator, is in the fundamental conception of social security benefits as being insurance against a loss of income as a consequence of retirement, disability or, in the case of a wife and children, the death of the family breadwinner. In that sense it insures against these losses, and so the question is whether the individual is retired or not.

It is not designed to encourage him to retire. It is designed to help supplement or offset the loss of income if he does retire.

This is why the test has always been referred to as the retirement test.

Senator BYRD. The law has been and is now, and even under your proposal, to discourage people from working once they draw social security.

Otherwise, why don't you take the limit off? Why do you recommend the limit?

Secretary RICHARDSON. Well, I can only repeat, Senator, that the reason for it is not to discourage work. The reason is that the program has, from the beginning, determined contributions, calculated actuarially, for the purpose of providing certain kinds of insurance,

and one of these is insurance against the loss of income that results when a person retires.

Senator BYRD. How much can a person earn now and not have his social security reduced, \$1,600, is it not?

Secretary RICHARDSON. \$1,680.

Senator BYRD. \$1,680.

What do you recommend that it be?

Secretary RICHARDSON. We initially recommended that it be increased to \$1,800.

Senator BYRD. So you recommended the increase to \$1,800 and after which they would lose a part of their social security benefits; is that correct?

Secretary RICHARDSON. Yes; they would, in effect, lose half.

Senator BYRD. Why do you recommend \$1,800? Why don't you recommend taking off any discouragement at all?

Secretary RICHARDSON. For the reasons stated, Senator, that the program is, an insurance program, not a welfare program.

Senator BYRD. That is exactly right.

Secretary RICHARDSON. It means, therefore, that the program from the very beginning, in the case of income benefits for people over 65, has been predicated upon their retirement.

Senator BYRD. That is right.

Secretary RICHARDSON. If they are not retired, then, by definition, they should not be drawing any benefits.

Senator BYRD. That is correct. But you mentioned a moment ago that the reason the welfare recipients would draw more—the welfare couple would draw more—than a couple not on welfare is then you envision that they would go out and earn some money.

Secretary RICHARDSON. No; I do not think I said that. I said that the difference is in the concept of the programs.

Senator BYRD. It is an entirely different concept, and that is why I am just trying to get clear in my mind as to what we are doing here or what you are recommending we do is that you give a preferential treatment to aged couples on welfare over and above what treatment would be received by those on social security, and your answer to that is, as I recall is, in the affirmative.

Secretary RICHARDSON. Well, the one thing I think we should straighten out is that the combined \$110 payments to each of an elderly couple would, for most couples, not be more than the OASDI benefit in the law which is also before you.

Senator BYRD. Is it not correct that the benefit of a couple is 150 percent of an individual?

Secretary RICHARDSON. Under OASDI?

Senator BYRD. Under the social security program.

Secretary RICHARDSON. Yes.

Senator BYRD. Well, under your proposal in regard to welfare it would be doubled. I am not arguing the point. I just want to establish the fact.

Secretary RICHARDSON. Well, the reason for it, as I understand it—

Senator BYRD. We know the reason for it. It is a fact; is it not?

Secretary RICHARDSON. It is, Senator.

Senator BYRD. All right.

Secretary RICHARDSON. I do not have before me the tables as to what a retired couple would get under the pending social security bill.

REVENUE SHARING AND FAP

Senator BYRD. Well, let us go on to another question.

Mr. Secretary, in an earlier discussion the facts indicate that about two-thirds of the revenue-sharing effect of the revised bill would go to five States. You mentioned this was done because the mathematic result was due to a change in the benefit formula.

The central question, as I see it, is why there is any need for changing the formula for Federal matching for the aged, blind, and disabled. Why should the Federal Government pay 65 percent of the cost of the payments to the aged, blind, and disabled in California, rather than 50 percent when the recipients in California will not be paid 1 penny more? The recipients will gain nothing. The State of California will gain, but the recipients will gain nothing, as I understand it.

Secretary RICHARDSON. Well, I think that this is the result of the conclusion that it would be simpler to administer and to calculate the costs, fairly for the States if the costs were calculated on the basis of 90 percent of the first \$65, and 25 percent of the remainder in place of the formula that now exists.

Senator BYRD. Anyway, the point I want to establish is the benefit goes to the State. It does not go to the recipient.

Secretary RICHARDSON. That is true, except insofar as the minimum income standard of \$110 per person may result in higher payments in some States.

INCREASING WELFARE ROLLS

Senator BYRD. Is it correct that in 13 States, assuming that your proposal is enacted, in 13 States the welfare rolls will be more than tripled?

Secretary RICHARDSON. If you are referring, Senator to the—

Senator BYRD. The number of recipients on welfare.

Secretary RICHARDSON. As I pointed out earlier, these tables compare apples and oranges. They assume a 100-percent participation of all eligible people in the family assistance plan, and compare that total with the actual number of people now receiving benefits under current law. I pointed out earlier, in the case of AFDC, our best guess is that not more than half of the people actually eligible now are on the rolls.

If you applied the same ratio under the family assistance plan, then the State shown as having tripled the present coverage would be providing not three times but 1½ times the present coverage. That is, perhaps, low. But in any event, the figure is substantially lower than shown here, whatever it is.

Senator BYRD. They are your own figures—I do not know—table 19 on page 35.

Secretary RICHARDSON. We have made this comparison. We never felt it was a valid comparison to take the maximum eligible number on one side and compare that with actual coverage on the other side.

Senator BYRD. Are you saying, Mr. Secretary, we will not have 24 million persons on the welfare rolls after this is enacted?

Secretary RICHARDSON. That is what I am saying; yes.

Senator BYRD. That is contrary to what has been said.

Secretary RICHARDSON. The 24 million figure never has been anything more than an estimate of the maximum eligible, not an estimate of the number likely to be on the rolls.

Senator BYRD. Well, it is contrary to what has been said up to this point in this committee in all these hearings, so far as I can recall.

Secretary RICHARDSON. I think that we have always tried to emphasize, Senator, that we were talking about eligibility. The very day that the committee print appeared, I made the same point, that it did not accurately show the likely outcome of the enactment of the program because it used figures which could not be compared with each other.

Senator BYRD. I do not see how you used incomparable figures when your own estimates said, 1971 estimated recipients—estimated recipients, not estimated number eligible, estimated recipients—that is on page 35, and I think if you go back over the testimony, not only your testimony but Secretary Finch's testimony, Secretary Veneman's testimony, all of you have stated, none of you have disputed, this 24 million person figure.

Secretary RICHARDSON. That is, in fact, a figure which is based on a determination of numbers eligible as explained in the methodology.

For example, looking at other pages, table 17, on page 33, cites the total estimated number of families eligible.

Senator BYRD. That is entirely different from estimated recipients.

Secretary RICHARDSON. I am afraid that the problem is an inconsistency of captioning rather than a difference in basis of calculation.

The methodology which was used in determining the number of eligibles is described in earlier pages.

We do not know with any precision how many families are eligible for AFDC but are not on the rolls, but we guess it is about half the number of eligible families.

Senator BYRD. This is your best estimate, as I understand it, of who would be on the rolls. Otherwise, how can you make up an estimate of the costs?

Secretary RICHARDSON. We cannot very well. We certainly do not want to propose a program to the Congress in which we have underestimated the potential costs by discounting the number of eligibles by some arbitrary number.

I am simply pointing out what these figures represent. We stand by them as a valid basis for the committee's deliberations.

Senator BYRD. That is what I am trying to get at. That is satisfactory.

Secretary RICHARDSON. I am simply pointing out that the tables which compare the numbers on the rolls with the number now eligible are, to the extent that the figures are differently derived, out of line with the probable realities.

Senator BYRD. But you stand by the figures as being your best estimate of what will occur if this bill is enacted.

Secretary RICHARDSON. No, Senator, our best estimate of the number of families who would be eligible. Whatever the number eligible is, the number actually on the rolls would be somewhat less than this. If it were as much less as the number receiving AFDC is than the number

eligible for AFDC, then the figures are considerably out of line. But this is all I was trying to point out.

Senator BYRD. But it is your best estimate as to what will happen if the bill is enacted, you have given your best estimate as to what it will cost, as I understand it, as to what it will cost for 1971, which is \$9.1 billion total program. Your best estimate for 1972 is between \$10 billion and \$10.5 billion, and I assume that they are your best estimates on the costs, are they not?

Secretary RICHARDSON. Yes.

Senator BYRD. I assume the figures you give us as to the number who will be on welfare rolls are your best estimate of the number of recipients. That is what the legend says.

Secretary RICHARDSON. Well, the point is that we thought, on the basis of an analysis of population surveys, that the number of people eligible would be 24 million. We would not feel justified in submitting to the committee for purposes of understanding the implications of the program, or using for our own computation of the costs, a lower figure.

On the other hand, when the statement is made that the rolls will triple in a given State, then it becomes pertinent to point out that the numbers being used in the two sides of the comparison are differently derived. One is the number of the people actually on the rolls, not the number eligible. The other is a figure which is aimed at determining the number eligible.

Senator BYRD. If they are eligible, and to get back to Senator Miller's assertion earlier in the day, he feels that people who are eligible for the welfare rolls have a right to be on the welfare rolls and, I assume you feel they should be on the welfare rolls if they are eligible to be on the welfare rolls; is that your view?

Secretary RICHARDSON. Yes, it is, Senator. But to assume they will be is also probably to overstate the actual fact.

I would point out when you asked for our best estimate I said that I felt that we had a responsibility to the committee and to the Congress to use the number eligible because this was an outside basis for calculating costs. But it is pointed out on page 22 of the committee print that to do this is probably to overstate the costs or to put them in a conservative way, and I will read from the middle of page 22:

Because of the importance of the welfare reform proposals and the uncertainties involved in estimating costs of any new program, a cautious and conservative approach has been adopted. For example, the cost estimates for the family assistance plan assume that all eligible families participate to the full extent of their eligibility.

That is, in order to give a cautious and conservative cost estimate, we are making an assumption that a much higher number of eligible people will participate than in fact participate under existing law.

Senator BYRD. Well, that is your best estimate of what will occur if the law is enacted.

Secretary RICHARDSON. Senator, if you force me to give you an estimate derived from the ratio of present participation of current eligible people, we will come up with a lower cost figure and a lower figure for the number of people covered.

Senator BYRD. Which would be unrealistic, and that is why you did not do it in the first place?

Secretary RICHARDSON. It would be fairly realistic but less cautious.

Senator BYRD. Well, I think—I do not believe you will dispute the fact—that there will be a substantial number of persons added to the welfare rolls if this bill is enacted, will there not?

Secretary RICHARDSON. Yes, but I am sorry, Senator, to prolong what may seem to be an unduly quibbling or semantic approach to the matter, but let me, without repeating it, incorporate by reference at this point in the record the comments I made earlier with respect to the use of the word "welfare" as applied to the family assistance program we are recommending.

Senator WILLIAMS. Would the Senator yield?

Senator BYRD. I would be glad to yield.

Senator WILLIAMS. I am not getting into whether it should be called family assistance or welfare, or anything else. That is a matter of choice. In fact, there is a difference between those who are eligible and those who are classified as recipients. But on pages 29 through 33 you refer to the families in the various types who are eligible.

But then on page 35, when you made your estimate of 24 million you submitted to the committee not a list of those who were eligible potentially but a list, and I will quote: "Estimated recipients under H.R. 16311, as amended."

So you changed the language, and your estimate costs as projected to the committee were, and your testimony, as I understand it, has been on the basis that it was estimated on your expected recipients and not those who may be eligible, some imaginary figure.

I do not want to prolong it, but I am just quoting your own figures and I, at least, have confidence in that much of it. If you want to dispute that, all right.

Secretary RICHARDSON. I do not want to dispute them, Senator, but just refer you again to the language I read a moment ago from page 22 which says that in developing our estimates we were cautious and conservative to the extent of assuming that all eligible families would participate. To that extent, therefore, the estimated recipients on page 35 are consistent with the numbers we have used for eligibility because we wanted to err, if we erred, on the high side.

Senator WILLIAMS. Well, if the Senator will yield further, I always like to err on the high side, but I will go back to page 39 of your report, and we will do a little reading:

The principal limitations of the method is that it makes no explicit allowance for other economic developments, associated with rising unemployment, which have an effect on family income. Among these are cutbacks in overtime and scheduled hours, which would be offset by increased payments under UC, SUB, and other transfer programs. Also, the method takes no account of the possible loss of jobs among other family members or, on the other hand, the possible increase in the labor force activity of secondary workers who are motivated to offset the head's loss of earnings.

So we have got a lot of things that are ignored, and some are included and some are not, and maybe one offsets the other.

Secretary RICHARDSON. I think the statement—

Senator WILLIAMS. I am quoting from your own statement.

Secretary RICHARDSON. It points out on page 39 that the calculations of the effects of shifts in unemployment one way or another are quite

small, and that you can have considerable changes in employment levels with comparatively small impact on the estimated costs. This is all quite fully described.

I think this description of the methodology is quite clear and helpful, and I certainly found it helpful in seeking to learn about this program. I hope the committee will find it equally so.

At any rate, I think it is fair to say that, by and large, throughout this effort we have sought to present a conservative cost projection.

Senator BYRD. I want to just say that I am not arguing against the program. I am merely trying to understand the program.

Secretary RICHARDSON. I understand, and I do not mean to leave the impression that—

Senator BYRD. Both thoroughly understood from the testimony of the previous occupant of your office and from Mr. Veneman and from you that these estimates were the best estimates the Department could come up with as to what would happen if this legislation is enacted.

We have got to have something to go on.

Secretary RICHARDSON. Yes. I think we have gone into this at perhaps greater length than it was worth. I simply wished to call the attention of the committee to the fact that there does need to be some discount in the figures you have in the blue committee print of numbers because of the point I have already made.

It is true that in some areas, especially in the South, and especially in the rural parts of the South, that large numbers of families would be added to the numbers who are now receiving some form of income maintenance or support under public assistance.

Senator BYRD. I do not say it would apply to the South because I got a letter from the Governor of California in which he said the total number of recipients in his State would go from 8 percent to 14 percent. You would not consider California a Southern State?

Secretary RICHARDSON. No. I said it is true that large numbers of people would be added, especially in the South and most especially in the rural South. Proportionately, more would be added in those areas. Therefore, even if you do discount the multiplication shown on the committee print tables, the committee print tables still are valid to the extent that they show proportional increases. Whatever the discount is, it would be a uniform discount. I think this is another way of highlighting the fact that the administration is urging the committee to agree that families of the working poor should be treated on a basis, so far as minimum Federal income support is concerned, equal to other families. This is certainly the most important single issue before the committee.

Senator BYRD. You are trying to help more persons so obviously more persons will be on the rolls, whether you call them public assistance, or whatever term you want to use.

Secretary RICHARDSON. That is true.

Senator BYRD. You want to help more people, and in order to help more people, more people have to be on the rolls, I assume.

Secretary RICHARDSON. Q.E.D.; yes, sir.

Senator BYRD. Thank you.

Thank you, Mr. Chairman.

Senator WILLIAMS. I understand, Mr. Secretary, that Senator Jordan and Senator Hansen have missed their turn in their questioning

of you today, and we would ask you to be back in the morning so that you can respond to the questions on the family assistance plan, and then the committee will return to a discussion with you on the social services portion of the bill.

At the conclusion of tomorrow's meeting, we will recess until Tuesday of next week when we will hear from the Secretary of Labor on his responsibilities under the bill.

In the event that Senators desire to question you further after that, the committee will arrange for another session.

I understand you have to testify before the Appropriations Committee, and the committee wants to work out arrangements with you.

INFORMATION REQUESTED ON THE NEW JERSEY EXPERIMENTAL WORK
INCENTIVE PROJECT

I won't ask any further questions now. I do want to refer to your comments to Senator Harris, where you were both referring to an experimental project in New Jersey that was conducted by OEO which was, as I understand, we say it was quite a success, that was in Newark, N.J.

Our committee, when your predecessor was here, asked for an opportunity to examine the results of that experiment but as yet we have not had them.

Now, can they be brought to the committee this week so that we can look at them?

Secretary RICHARDSON. I am sorry. What is it that you would like to have brought back?

Senator WILLIAMS. This wonderful project up in Newark, N.J.

Secretary RICHARDSON. I know about the project, but I mean what particular part of it, or what data would you like to have brought back?

Senator WILLIAMS. I would just like to examine the results of it. I understand you must have examined it, some of the cases, and thus far our committee has been unable to get any information from the project other than that it was good.

Since it was so good, it may influence us a lot in making our determination, since we have had a pilot project, and I think you would certainly want to show us a good project.

So we just want to examine the project with whatever information you may have, and if you do not have the information, we would like to get it.

Secretary RICHARDSON. We have quite a lot of information about it, Senator, and we would be very glad to make it available to you. I think it is fair to say at this point that, while Senator Harris may have given a somewhat optimistic interpretation of the data, one can at least say on the basis of the information available to date that the work incentive approach which permits a family to receive earnings while only losing part of its income support has not resulted in any tendency on the part of the families under the experiment to stop work in order to obtain benefits.

To put it another way around, the experiment shows that people are just as willing to work under this proposed approach as the control groups are. The only problem which has arisen with respect to the

availability of the data has involved records applying to individual families. This is a matter which we would be glad to work out with the committee.

Senator WILLIAMS. The committee will keep the names of the individuals in confidence. I respect the secrecy, the propriety of not disclosing the names. Our committee will keep that in privacy.

I have no objection if you would submit them to the committee in numbers. But we did ask to examine all files and records of the cases. For instance, where Mr. A was drawing a certain income level, a certain type of employment, and maybe he was unemployed at the time that he became a beneficiary under this program; and he has even improved his position, or has not improved it. We would like to have the raw files so that we can follow the individual cases and draw our own conclusion as to how great a success it is.

As taxpayers, we spent considerable money in this project.

Secretary RICHARDSON. I thought we had given it to you. At any rate, we would be glad to bring back any data or obtain any data, subject to the understanding you have just expressed with regard to confidentiality. We would be glad to do this. We think it is an interesting and important experiment.

Senator WILLIAMS. I am sure it is interesting, and that is the reason I am after it because of the fact that I am having such trouble getting it, which makes it more interesting. That is the reason I really want to see it.

Secretary RICHARDSON. I am glad to provide it, Senator.

Senator WILLIAMS. Thank you.

Senator ANDERSON. We will recess until 10 o'clock tomorrow morning.

(Thereupon, at 12:40 p.m., a recess was taken in the hearing, to reconvene tomorrow, Thursday, July 30, 1970, at 10 a.m.)

THE FAMILY ASSISTANCE ACT OF 1970

THURSDAY, JULY 30, 1970

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10:10 a.m., in room 2221, New Senate Office Building, Senator Clinton P. Anderson, presiding.
Present: Senators Anderson, Talmadge, Byrd, Jr., of Virginia, Williams of Delaware, Bennett, Miller, Fannin, and Hansen.

Senator ANDERSON. Mr. Secretary, do you have any special announcements? If not, we will start in with the questioning.

STATEMENT OF HON. ELLIOT L. RICHARDSON, SECRETARY OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY HOWARD A. COHEN, DEPUTY ASSISTANT SECRETARY FOR WELFARE LEGISLATION; STEPHEN P. SIMONDS, COMMISSIONER, COMMUNITY SERVICE ADMINISTRATION, SOCIAL AND REHABILITATION SERVICE; CHARLES E. HAWKINS, SPECIAL ASSISTANT TO THE ADMINISTRATOR FOR LEGISLATIVE AFFAIRS, SOCIAL AND REHABILITATION SERVICE; AND JOHN C. MONTGOMERY, ASSISTANT TO THE SECRETARY—Resumed

Secretary RICHARDSON. I am ready; I have no prepared statement.
Senator ANDERSON. Senator Fannin?

EFFECT OF MEDICAL INSURANCE BONUS ON PHOENIX, ARIZ.

Senator FANNIN. Yes, Mr. Chairman, and Mr. Secretary. You have had considerable comment about the four persons family headed by a female and we have used Phoenix, Ariz., as an illustration, and column 7 shows the medical insurance bonus ranging from \$40 to \$155. We estimate on a chart—it is hard to tie it down to exactly the chart involved, but what I am talking about is the medical insurance bonus certificate that evidently from the annualization would run \$40 to \$155 and I was wondering, are these the amounts that would be paid if the family assistance plan is enacted prior to the enactment of the proposed family insurance plan?

Secretary RICHARDSON. I am sorry, Senator. I want to be sure I am looking at the—

Senator FANNIN. Same chart?

Secretary RICHARDSON. The one which shows medical insurance bonus, Phoenix, Ariz., with \$470 as the top figure and \$77 as the bottom one.

Senator FANNIN. Yes.

Benefits Potentially Available to 4-person Female-headed Family in PHOENIX, ARIZ.

EARNINGS	FAP ¹ BENEFIT	STATE ² SUPPLEMENT	TOTAL GROSS MONEY INCOME	FEDERAL ³ STATE AND SOCIAL SECURITY TAXES	PROPOSED ⁴ SCHEDULE FOOD STAMP BONUS	MEDICAL ⁵ INSURANCE ⁵ BONUS	TOTAL NET MONEY AND IN-KIND	HOUSING ⁶ BONUS TO FAMILY UNDER PROPOSED HOUSING ACT ⁶	TOTAL NET MONEY AND IN-KIND
\$ 0	\$1,600	\$ 608	\$2,208		\$ 646	\$ 470	\$3,324	\$1,118	\$4,442
720	1,600	608	2,928	\$ 37	417	434	3,742	974	4,716
1,000	1,460	613	3,073	52	371	423	3,815	945	4,760
2,000	980	653	3,613	104	199	369	4,077	837	4,914
3,000	480	694	4,154	156	27	315	4,340	711	5,051
4,000		707	4,707	246		228	4,689	573	5,262
5,000		313	5,313	457		77	4,933	422	5,355
6,000			6,000	689			5,311	250	5,561
7,000			7,000	944			6,056		6,056

* ASSUMES TWO-BEDROOM UNIT

(INCLUDES PUBLIC HOUSING WHICH WILL BE AVAILABLE TO ONLY 6 PERCENT OF FAMILY ASSISTANCE FAMILIES NATIONWIDE)

H.R. 16311 Amended

¹ Family assistance benefits are \$1,600 for a family of four with no income, based on \$500 each for the first 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes. House passed provisions of calculating State payments apply (sec. 452). State supplementary grants in New York and Chicago are based on States reported general maximum rent allotment.

³ Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

⁴ Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the first year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

⁵ The assumption here is that the family health insurance program would replace the present medicare program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed:

0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500, and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

⁶ The housing bonus is calculated on the basis of the proposed 1070 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the first \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD #148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4-person families. The private annual gross rents assumed are as follows:

	2 bedroom
Phoenix	\$1,500
Wilmington	1,020
Chicago	1,920
New York City	1,680

Secretary RICHARDSON. And it says at the bottom of the right hand corner, "H.R. 16311 amended."

Senator FANNIN. That is right. Yes. Down to \$155. That is right.

And are these amounts—my question is, are these the amounts that will be paid if a family assistance plan is enacted prior to enactment of the proposed family insurance plan?

Secretary RICHARDSON. No, Senator. Let's assume that the family health insurance plan is enacted along the lines of the administration's proposal. It is shown here as if it were in effect. The medical insurance bonus figures indicate what you would have to do in order to eliminate a notch in States which have medicaid programs. That particular problem does not arise in Arizona because no medicaid are paid there under existing law.

Senator FANNIN. No. We do not have medicaid.

Secretary RICHARDSON. In any event, there would be no new notch under our proposed example, because the family health insurance benefits decrease as earnings rise.

Senator FANNIN. Well, yes. One of the problems that we have had as far as the development of a medicaid program in Arizona has been what would be the effect on our Indian people, Indian citizens. As you know, we have them under the Public Health Service and have the different programs for them and under the BIA—I have talked about this before but not in this particular category of activity, and I am just wondering about it. On page 134 of the committee print it states that the basic insurance package would be federally financed. Does this mean that Arizona, which does not have a medicaid program, would receive full Federal funding?

Secretary RICHARDSON. Yes, it would, under the basic plan outlined.

EFFECTS OF FAP ON THE ARIZONA INDIAN

Senator FANNIN. Well, then, the amounts received, it is a little confusing, then with the way the amounts are indicated, but I was just wondering how we would explain this as far as the operation is concerned and if it would be fully federally financed, that would remove the problem that we have.

Now, how would this affect our Indian people?

Secretary RICHARDSON. I think it is important to reemphasize one point that we have touched on in earlier discussions, and that is that when we say "fully federally financed" as applied to Arizona, that would mean that no State money would be required for the basic plan as we have outlined it, but that a premium payment would be made by families themselves, in an amount which increases as their earnings increase. That amount is shown on page 137 of the green committee print. The table there shows that under our illustrative contribution schedule, a family would pay 5 percent of its income in the range between \$1,600 and \$3,000, plus 10 percent of income between \$3,000 and \$4,500, and 25 percent of income between \$4,500 and a cut off level of \$5,620. So, part of the cost of the coverage shown in the illustration would be paid for by the family itself.

Senator FANNIN. Well, now, that is what concerns me. I am trying to determine just how this is going to apply to our Indian people because in most cases, in fact, on several reservations we have unemployment of 50 percent, 70 percent, so there is not any income involved other than what is given to them by the Federal Government.

Secretary RICHARDSON. If they have no income other than the basic family assistance plan benefit of \$1,600 for a family of four, then the Federal Government would pay the whole cost of the insurance coverage for them, and they would all be included in the plan proposed. And for the basic plan there would be no State contribution. So, we would in effect be providing a basic plan of coverage.

Senator FANNIN. Now, would this be added on to the benefits that they are now receiving, for instance, from Public Health Service, from the BIA, from other programs in which they are involved?

Secretary RICHARDSON. We are—

Senator FANNIN. On some of the reservations there are as many as six or seven or eight or 10 programs federally financed and I am just wondering how we determine exactly what is involved because in most of other programs, where this goes into effect, these plans go into effect, then the others are eliminated, but I am just trying to—

Secretary RICHARDSON. This is certainly a very good and pertinent point. We are now developing legislation along these lines, in cooperation with the Bureau of Indian Affairs and the Public Health Service. We are trying to work out ways whereby the health insurance plan would pay for services now provided under appropriations from general revenue, so that there would be some equivalents in effect for the purchase of services under this plan for Indians with the purchase of services by other people under the plan.

Senator FANNIN. You understand we do have some very strange circumstances, I say strange from the standpoint of the difference between what the Indian people are up against, without roads, without transportation. They have so many other needs, in fact, their priority as far as most of the Indian people are concerned, is that they have a road program and have community centers in order that they can establish businesses and accomplish the objectives we all have in bringing them into the economic community of our society. We have tried to do this in several instances by giving incentives to the firms to go on the reservations and we have several that are now located on reservations or adjacent to the reservations, and we get into problems such as child care, and this has been one that has been overcome by some of the companies in giving extra incentives to them, even bringing the complete families into the program, and I am just wondering if a study has been given to just how this would affect—what we are trying to do is to give them incentives to help themselves and to work toward the goal that we have for them and we hope that—we are trying to motivate them in that direction. I am just wondering if this will accomplish that objective.

Secretary RICHARDSON. I think it would help, insofar as it is applicable to Indians, on the same basis that it would be applicable to other poor families, because it would provide, in effect, a basic health insurance coverage for which they pay an increasing share of the cost as their earnings rise.

Now, the particular problem that you have identified in the case of Indians is the question of the extent to which the Federal Government should continue, out of general revenues, to provide in effect free care and to improve the quality of the care that is made available through the Public Health Service hospitals. To the extent that that care would be provided in the way it is now, there would really be, as

I understand the problem, no need for them to have health insurance policies in effect, even subsidized health insurance policies. Thus, the question becomes, to what extent should we propose under the health insurance plan to pay for services provided by the Indian hospitals, and to what extent should the hospitals continue to provide an additional subsidized service beyond what is paid for under the health insurance plan. This is the kind of question that we are working on now with the Public Health Service and the Bureau of Indian Affairs. We do not have a final answer. In any event, we certainly want to work in the direction of expanding and improving the quality of health care, together with moving in the direction of a participatory health insurance program for all citizens, including Indians. But I am not sure at this point just where the line should fall.

Senator FANNIN. Well, of course, that is why I am concerned that we do coordinate these programs, that they are, I think, the most neglected of all our citizens as far as the health problem is concerned, the greatest of any of our citizenry. We have epidemics, we still have tuberculosis problems on the reservations, we have greater health problems on the reservations perhaps than any place in our Nation, and the Public Health Service, although it has improved tremendously the care of our Indian people, it certainly is still very inadequate and I have visited some of the hospitals that are adjacent to those reservations, in small towns, where they are very lacking in their ability to take care of the patients. But we do have some of the hospitals that are on the reservations that would be the only ones available and that is why I am wondering, and I appreciate your comments, about the attempt to coordinate the efforts so that we can improve the services to our Indian people and still have a program that will encourage them to want to go to some type of employment. We have not been successful, as you know, in accomplishing this objective because of the type of service that they have been subjected to over the years of almost what we would call parental care when they did not want that type of care but we forced it upon them. So, I just hope that great study will be made of just how we can accomplish the objectives as you have explained, but I still do not see that we have in this particular instance accomplished the objective proposals that we have before us.

Now, with what you have explained perhaps that would to a greater extent accomplish what we are talking about but our real concern is as to whether or not we will follow through.

Secretary RICHARDSON. We have not solved the problem which you have identified, Senator. I can only say that we fully share your concern with the urgency of improving the quality of health services for Indians. We recognize that our services are still seriously inadequate, and as I think I mentioned earlier in the hearings, the President, in his recent special message on Indians, identified a directive to the Department of HEW to seek an additional \$10 million for health services for Indians under existing law. I think I could just say this by way of a general approach: To the extent that Indians are included under the proposed family health insurance plan, we certainly would not want to load the premium cost of the plan for Indians with any of the costs of capital investment in the improvement of the overall availability of health facilities for Indians. In other words, to whatever extent it seems wise to provide health insurance coverage for

Indians on the same basis as for other citizens in poor families, they should pay out-of-pocket only for the costs of providing services, as distinguished from the costs of improving the health care base. We think that improving the base should proceed along the lines that it is proceeding now, through funds appropriated to the Public Health Service, rather than through this program.

Senator FANNIN. Well, Mr. Secretary, I would just say this, that I hope you realize the program that would be necessary to carry through what you talk about, because when we consider that somewhere between 50 percent and two-thirds of our Indian people on these reservations, adult Indians, cannot read or write or speak the English language, then you can see what a tremendous barrier we have in carrying through any type of program which we have discussed. So, it is going to be very difficult. It will require tremendous personnel to reach these people and carry through this program that we are talking about and I do not know whether or not you have incorporated in your estimates of costs just what this will involve.

Secretary RICHARDSON. The only extent to which we have incorporated it, and these are very preliminary figures, is through the inclusion of low-income Indian families in the total number of families which would be brought in under the plan. The calculations that have been made to date reflect the financial status of Indian families, just as they do that of other poor families. The other questions that you have raised this morning relate to the kinds of things that really involve the interrelationship between the family health insurance plan and the ongoing Indian health programs of the Public Health Service, and there, as I have said, we have no final answers. We are discussing these problems with the Bureau of Indian Affairs and the Public Health Service along the general lines of the approach I described, namely, using the existing programs as the channel through which to expand the base of facilities provided, while seeing how we can mesh this with the health insurance plan, by which Indians can contribute to the cost of their own care in proportion to increases in their earnings.

Senator FANNIN. When we are talking about, Mr. Secretary, reservation Indians, we are probably talking about 90 percent of the families being under this program so far as the income is concerned and with anywhere from 50 to 70 percent unemployment you can realize the great problem that exists.

Secretary RICHARDSON. Well, it is both a problem and an opportunity, and we certainly approach it with the objective of trying to make up for lost time in the improvement of the overall quality of care. The family health insurance plan for poor families would provide a very substantial amount of additional funds that could be brought to bear to pay for improved services.

Senator FANNIN. Thank you, Mr. Secretary.

Senator ANDERSON. Senator Hansen?

Senator WILLIAMS. Would the Senator yield for just a moment?

Senator HANSEN. I will be happy to yield.

CHART DISCREPANCIES WITH REGARD TO MEDICAL INSURANCE BONUS

Senator WILLIAMS. Mr. Secretary, I do not want to interfere with Senator Hansen, but I call to the attention of the Senator from Ari-

zona only the chart on the right is marked "Administration's June revisions." I wonder if that should not be pulled off and called somebody's else's suggestions because the chart in the middle is the June revisions and that is the chart you submitted the other day.

Now, if we get another revised June revision we will all be confused and we will have charts here forever. Those administration's June revisions do not coincide with the report submitted to us in the committee report which was furnished by your Department on page 50 of the report nor does it coincide with the center chart, which is an identical copy of the chart you resubmitted July 22. And now, if we are going to go back and retroactively change these again, I am just wondering if we will not be in a situation here of perpetual motion.

Now, if all of these charts need to go back to the Department for correction I have no objections to that. But I think we should stick to the charts and not retroactively change the June revision because that is not a June revision chart.

Secretary RICHARDSON. I am not sure what you mean, Senator. The chart on the right is the same as the chart I have in the little booklet we distributed, entitled "Benefits Potentially Available to Four-Person Female-Headed Families, Department of HEW, July 1970."

In any case, the chart that is shown there on the right perfectly well serves the purpose of illustrating the problems inherent in eliminating notches and it also shows what would be the projected benefits under the health insurance plan which we were just discussing.

Senator WILLIAMS. Well, I do not want to pursue this further, but just take the medical insurance bonus. The figures in the report on page 50 that were submitted to the committee in June read 470, 434, 428, 395, 361, 326, 155. Now, that is different from what is on the chart up on the board. The report which was submitted, your June revisions under existing law, medicaid program, there is no change in the June revisions for medicaid program. If we are talking about how you are going to change the medicaid program in January, let's recognize that there is no medicaid program for Arizona. Arizona does not have a medicaid program under existing law and if this bill is enacted as you submitted it, there would still be no medicaid program unless there was one initiated. That is the reason I am wondering if you are not going to confuse the committee, at least you confuse one member of the committee, if you are going to retroactively come back and have two June revisions which do not coincide.

Now, I gather that your medical insurance bonus that you are speaking of is the result of a prospective plan which you expect to submit next year.

Secretary RICHARDSON. I am not sure what the differences are in the assumptions that are reflected in those two charts, Senator. They start out with the same figures, \$470 and \$434. I can provide an explanation for the record.

Senator WILLIAMS. They start out with 470, 434, but Arizona does not have a medical insurance program now, do they? Medicaid program? They do not have one now. If you continue beyond those two figures, from then on they are changed from your report on page 50. This continuous changing of these figures and retroactively putting them back as though they are a part of the June report is what confuses us. We have had a week of trying to analyze these charts and

perhaps it would do us all good if we spend another week trying to analyze them. But if we are going to get a separate set of charts every day, I still want to understand the retroactive changes that have developed.

Secretary RICHARDSON. I will be glad to insert at this point in the record an explanation of the difference between these two charts. In any event, I do not think they are material to any of the questions we have discussed.

Senator WILLIAMS. Well, when you submit it for the record, will you send my office a copy of what you submit—

Secretary RICHARDSON. Yes, sir.

Senator WILLIAMS (continuing). Because the record will be printed later and I may want to question you further and I still—

Secretary RICHARDSON. I will send it to you tomorrow.

Senator WILLIAMS. Tomorrow?

Secretary RICHARDSON. Yes, sir.

(The Department subsequently submitted the following letter to Senator John Williams:)

AUGUST 1, 1970.

Hon. JOHN WILLIAMS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR WILLIAMS: During the Committee on Finance's hearing of Thursday, July 30, you requested clarification of differences among three Family Assistance benefit tables. The tables in question are for Phoenix, Arizona. One appears on page 50 of the June 1970 Committee print and the other two are tables 9 (HEW chart 9) and a (HEW chart 13) which were distributed to members of the Committee.

The differences reflect changes in Section 452 of H.R. 16311, the section which defines the level of State supplementary payments and the method by which they are calculated.

One of the Administration's June amendments substituted a requirement that each State set a single payment level in place of the melange of flat dollar maximums, percentage reductions, and similar methods of computing payments now used by States which pay less than their full standard of need. The tables for Phoenix and Wilmington in the June Committee Print reflect this change.

The Administration recently decided that families which would receive lower benefits under the above amendment that they currently receive should be protected against loss. Tables 9 (HEW chart 9) and A (HEW chart 13) reflect changes in treatment of those families resulting from our decision.

Should you have any further questions about our charts, or about any other aspects of Family Assistance, my staff and I will, of course, do our best to answer them.

Sincerely,

ELLIOT L. RICHARDSON, *Secretary.*

Senator WILLIAMS. I do not know whether we are going to have a meeting tomorrow or not. Anyway, we will see that you get another chance to discuss this.

Secretary RICHARDSON. I am not sure that would be useful, Senator, but I will be glad to come back to it. The point of the merits of the question of what the proposed medical insurance approach does in terms of elimination of the notches is not affected by—

Senator WILLIAMS. I appreciate that.

Secretary RICHARDSON (continuing). That at all.

Senator WILLIAMS. I appreciate that and we have had the third chart which would show what your proposed medical change in the insurance program would change. I appreciate that and that chart has been most helpful on your proposed changes, what you expect

to submit next January. But I am raising the question, Should we take your proposed changes that you expect to submit next January and interpret them as a June revision, something you did in June, which is not quite the case? That is the point that I am making.

Secretary RICHARDSON. Well, the problem is, Senator, basically, that when you make a chart like this, you have to make certain assumptions with respect to the status of the family. Miss Townsend, to my left, tells me that the explanation appears to be that the family shown in this second chart was "grandfathered in," and that this has certain effects on the calculations. In any event, so far as Arizona is concerned, the important thing is that Arizona does not have a medicaid program at all now. Under the proposed family health insurance plan, basic medical insurance coverage would be provided. There would be a medical insurance bonus for families, which would be relatively large for families with no or little income, and which would decline as a family's income rises. That in turn then leads to the question of how the family health insurance plan will be coordinated with the existing programs for health care of Indians, which Senator Fannin mentioned. So far as the dollar differentials in these figures, after \$434, where they begin to vary, are explained, I can only say that we will give you that explanation between now and tomorrow morning.

Senator WILLIAMS. Well, I will not pursue this further. We have others. But you mentioned the point and I think it should be emphasized that your medical insurance bonus, Arizona does not have a medicaid program, therefore, you cannot grandfather in something which does not exist, and this—

Secretary RICHARDSON. No, but the medical insurance bonus is a function of gross income and gross income is a function of family assistance plan benefits and State supplements, so the calculations for them affect the bonus. Those calculations depend upon the assumptions you make about State supplements and how they are calculated for a given family.

Senator WILLIAMS. That is correct, but which would be triggered in if and when you submit it to the Congress next year and Congress approves it. Is that not true?

Secretary RICHARDSON. I think that we—

Senator WILLIAMS. The medicaid portion?

Secretary RICHARDSON. Anything we do next year affects the total gross money income figures.

Senator WILLIAMS. Let us put it this way. I do not want to interfere with the other questioning, but if we pass this bill as is, with no amendments, and it becomes the law, and Congress does nothing further next year, would there be a medical bonus for—

Secretary RICHARDSON. No.

Senator WILLIAMS. No, that is correct, and that is the reason I say that June revision does not include that medical bonus and it should be marked exactly as it is in the book, that it is an assumption based upon a submission of a program next January which as yet has not been submitted. Now that, is all I am trying to get. That this is not the June—

Secretary RICHARDSON. That has been repeatedly made clear, Senator. Every time we have talked about the medical insurance bonus, we have said that this is a bonus that would be provided under legisla-

tion to be submitted next year. And this all arises because of a point that you developed earlier, that medicaid benefits for a given family do not decline as that family's income rises, and that, therefore, a notch is created. Thus a disincentive is brought about by the fact that when a family crosses the threshold of eligibility for medicaid, it loses a very substantial benefit, which, translated into cash, is shown under the average medicaid benefits headings for the States having medicaid programs. Arizona happens to be one of the only two States that does not have a medicaid program.

Now, if that disincentive is to be removed, it can only be done by substituting a new program for the existing medicaid program, and that new program must be—whatever its other characteristics—a program under which benefits decline as income rises. Whether you accomplish that objective by the particular route that is outlined on pages 124 to 137 of the committee print or by some other means, benefits must decline proportionately as income rises in order to eliminate the notch. This cannot be done by a welfare bill, any welfare bill, including this one, which does not amend or provide a substitute for medicaid.

Now, the committee may elect in February or thereafter to go forward with the existing medicaid program, because it concludes in its wisdom that it is better to maintain medicaid in its present form even at the price of the notch or disincentive, than to substitute a new program for it. At any rate, all we have told the committee, and I thought this had been made clear repeatedly, is that we will submit in February of 1971 a proposal that will eliminate the notch, which the committee will then have the opportunity to consider together with the option of maintaining the present medicaid program and such other options as it may wish to consider at that time. But that does not affect the wisdom of taking action now that will eliminate inequities in the existing welfare program.

Senator WILLIAMS. Mr. Secretary, I apologize to the Senator from Wyoming for taking too much time. You know I will pursue these June revisions further if there is still insistence that that chart on the right is a June revision.

I yield to the Senator from Wyoming, and I look forward to receiving your explanation as to how that fits in the bill that is now before us.

NUMBER ELIGIBLE FOR WELFARE

Senator HANSEN. Thank you very much, Mr. Chairman.

Mr. Secretary, I was quite interested in your colloquy with Senator Byrd yesterday during which two points emerged. First, you said that only half of the persons eligible for welfare today are actually receiving benefits.

Second, you said that your estimate of 24 million welfare recipients is based on the assumption that all persons eligible for welfare will apply for those benefits. Let us take up those points one at a time.

First, regarding the question of what is happening today, you assume that only half of the persons eligible for welfare are actually receiving benefits. I would ask, is this a guess or do you have any concrete information on which to base this statement?

Secretary RICHARDSON. It is an informed guess to the extent that it rests on an analysis of income levels of families. It is essentially the

same sort of analysis as that on which the family assistance plan projections themselves are based. It cannot be more than a guess, however, even in the light of these family income surveys, because the surveys do not necessarily reflect the kind of determinations that have to be made in the welfare office under existing law with respect to family assets, and so on, that would enter into actual determination of eligibility. But that is the most important basis for the estimate that only about half of all families eligible for AFDC are actually on the welfare rolls.

We also have indications that a substantial part of the increase in AFDC rolls in recent years has been brought about by an increasing awareness of eligibility, and our statistical information tends to corroborate the overall impression that a number of people roughly equivalent to those on the rolls are still not covered.

This is important in terms of a comparison between the numbers of people now on the rolls with the total number of people who would be eligible under the family assistance plan. It also gives us, I think, some warning of an increase in recipients even under current law as awareness of eligibility becomes more and more widespread. An interesting study has been made of the reasons for the increase in the welfare caseload. This study suggests that one factor in the increase in caseloads has been medicaid. People have felt that they could apply for medicaid without associating themselves with the kind of stigma attached to being on welfare. Having done this, they have often, it appears, found that they were eligible for welfare, and then receive that, too. And it may be that in the course of time, since even more families are eligible for food stamps than for AFDC, that the extension of food stamp eligibility will stimulate more people presently eligible for AFDC to apply.

So, the difference between the number of persons presently eligible for AFDC and the number of recipients will tend to decrease over time.

Senator HANSEN. Mr. Secretary, I think you have said initially in your statement that this projection or educated guess, those are not your exact words but—

Secretary RICHARDSON. That is a fair—

Senator HANSEN. (continuing). Were based partly upon the income of families and with that particular facet in mind, let me point out something on page 19 of the bill—that would appear on page 159 of the committee print—I read from the subhead, "Procedures; Prohibition of Assignment", on the top of page 159 in the committee print, under (e) (1).

The Secretary shall prescribe regulations applicable to families or members thereof with respect to the filing of applications, the furnishing of other data and material, and the reporting of events and changes in circumstances as may be necessary to determine eligibility for and amount of family assistance benefits.

And then I would refer to your statement before the committee made July 21, page 16 of that statement. I am jumping now to another text here, and I quote your words on page 17 under "More Efficient Administration." You say:

Eligibility for aid would be determined on a simplified basis, which would include crosschecks of earnings data and sampling of recipients' reports as protection for the system.

It implies to me that what you are saying is that we will abandon the present complicated redtape checking system we have been employing and will go to a rather simplified system by which essentially most recipients will need to do no more than to come in and to assert that they are eligible in order to receive assistance.

Now, if this were the case, and I assume that it is, would it not be likely that the check that would be included in your assumption as to the number of eligible recipients insofar as a reflection of income is concerned would contemplate this sort of a situation. A person could have had a job and by virtue of that situation could have built up certain unemployment benefits. Let us say for purposes of illustration that these benefits would amount to \$50 per week unemployment compensation. But under the modification in the regulations which you suggest, so that all that needs to be done is to come in and to make the assertion that he is eligible and in need, he could thereby, let us assume, be eligible for \$100 in welfare payments but as we know, welfare payments will be reduced in like proportion to other income, so that if a person were eligible for unemployment compensation to the extent of \$50 a week and was eligible on his own declaration for welfare payments to the extent of \$100 a week, I should think there would be little incentive for the individual to appear down at the employment office each week to declare his availability for employment when all he has to do is walk over to the welfare office and get as many total dollars, the \$100 a week, by simply doing that without having to bother to go to the employment office. He will not have to take advantage of the \$50 benefit that he could have gotten in that fashion and it would seem to me that this would distort the whole picture insofar as true need is concerned, and that the lessening of the restrictions and the conditions upon which welfare would be paid, I should think, would militate against the very objective to which we both have subscribed.

Secretary RICHARDSON. Well, I think this again is an important point. Several things can be said.

First of all, if an individual receiving benefits or eligible for benefits loses a job and thus becomes entitled to unemployment compensation, the unemployment compensation he received would be considered income.

Senator HANSEN. If it were received.

Secretary RICHARDSON. If it were received. The individual would be required by the administrators of the family assistance plan to apply for and obtain the unemployment compensation. To verify his receipt of the unemployment compensation, we would utilize the panoply of crosschecks against data that are available to the various Federal agencies which in one way or another are required to keep track of different sources of income. One means, for example, whereby an individual's application would be checked for accuracy would be through the employer's tax return of amounts withheld.

Senator HANSEN. But how long will it take before that information is going to be available? These reports are made quarterly, are they not, and before you are going to get them, is it not likely to be 6 months after the fact before welfare will know what may have been paid an individual? It would seem to me that this is entirely too slow and cumbersome a process to be of any value to you.

Secretary RICHARDSON. I think that in the case of the employer's tax return, this is an effective way of checking the eligibility applica-

tion. There is provision in the Family Assistance Act for adjustment of payments or recovery of overpayments.

RECOURSE IN CASE OF PAYMENTS TO INELEGIBLE

Senator HANSEN. If I could interrupt this just a moment, Mr. Secretary, let me ask you this. Supposing you do get around to obtaining the knowledge that John Smith was ineligible for welfare payments. He failed to qualify for them or he may indeed have received them and failed to acknowledge them in applying for welfare. How harshly do you propose to deal with that sort of behavior?

Secretary RICHARDSON. There are provisions in the bill for the recovery of overpayments, and there are provisions making criminal law penalties applicable for fraudulent statements by an individual. The penalties are the ones that attach to giving false statements to the Federal Government on which some official action is to be taken. So, if an individual's misstatement were willful, he would be subject to criminal prosecution. If it were simply a mistake of some kind that did not justify criminal prosecution, provisions of the bill that pertain to overpayments and underpayments would apply. The bill provides that appropriate adjustments in future payments or recovery from the family would be made to rectify overpayments. Regarding an individual worker's current receipt of unemployment compensation benefits or entitlement to them, the cross-check can be much more rapid than quarterly, because unemployment compensation benefits are made weekly, and the cross-check could therefore be made between the local office administering family assistance payments and the local office administering unemployment compensation payments with a maximum of a 7-day lag. Mr. John Montgomery of the Department is working on the plans for the implementation of this program. These plans contemplate, in effect, tying the records of the unemployment compensation system and the family assistance plan system by computer, so that the log of payments and entitlement is one, and is available to both systems.

SIMPLIFIED ELIGIBILITY REQUIREMENTS AND APPLICATION PROCEDURES

Senator HANSEN. I noted that just recently within the District, welfare costs moved upward, and those are rather modest terms to describe a rise of 71 percent, which was the fact, of course. I have not seen an official breakdown and analysis showing what may all have contributed to that very sharp rise, but my guess is that one of the reasons was that the simplified eligibility requirements simply made it easier for more people to qualify for and receive welfare assistance than has been true in the past.

I would like to raise this second point with you, if you care to comment on it—maybe you have a different idea than mine.

Secretary RICHARDSON. I do not know to what extent that is a factor, Senator. I would just say that I think it is a fair assumption, at least, that if we had a nationally administered system with records tied by computer with social security withholding tax returns, income tax returns, and unemployment compensation benefits, it would be on the whole as efficient to administer and substantially as effective in protection against fraud as, say, the income tax system itself. And

undoubtedly, it would tend to mean that a higher proportion of eligible people would be covered. This is why, as I have said, we have not felt that we ought to apply an arbitrary discount or guess to the differential between potential and actual recipients of family assistance. I think the effect would be to bring about a relatively high proportion of coverage among those eligible. I think also it would bring about a more easily policed system than the hodgepodge we have now.

Senator HANSEN. Well, I could not argue at all with the second point. I think the more you relax regulations, the fewer tests you impose, certainly the easier policing becomes for such a system. I am not certain it follows necessarily that the broad public interest will likewise be better served, but certainly, if you want to make the job of the cop easier, just give him fewer duties and it will be easier.

I wonder—it occurs to me that—and what I am trying to imply is that as we relax the restrictions, as we make fewer the checks that are going to be imposed upon individuals, as we require the meeting of fewer stipulations, I think obviously we are going to have more people, a greater percentage of people eligible and actually drawing welfare assistance and we are likely also to have a rather considerable number of people who would not be eligible but drawing welfare assistance, simply because we have relaxed these checks and tests sufficiently to permit people to get in on an assistance program who would not be there if we were tightening up rather than relaxing regulations.

Secretary RICHARDSON. Senator, I think I will have to take issue with a couple of things you have said. I do not think it is realistic or fair to equate the use of simpler application procedures with the relaxation of standards. The standards of eligibility would be those defined in the bill having to do with the family assets and the amount of income, and so on. They would be simplified in the sense that they would become uniform nationally instead of determined by 54 different jurisdictions. I do not think that in this sense, simplification equals relaxation.

It is true that the initial determination of eligibility is itself simplified through initial reliance on an application form rather than an exhaustive interview with a social worker, which involves the detailed calculation of a family budget—so much for carfare, so much for food, so much for rent, and so on. However, I do not think it follows that because all that elaborate budgetary computation is eliminated, the chances of fraud or of erroneous determinations of eligibility are any more likely.

In addition—and I think this is a very important point—notwithstanding the simplification of the application form, there would be means of checking on the eligibility and continuing eligibility of the individual that do not exist now. They could be created because we would have a uniform national standard of eligibility and a computer tie-in to the records of income tax withholding, social security tax withholding, social security benefits, and unemployment compensation benefits. Because these records would be tied together and cross-checked, we would have, I think it is fair to say, at least as great a deterrent to fraud, and perhaps a greater one, than we have under the existing system.

To put it simply, I do not think that absorption of a lot of social-worker time in determining eligibility is a particularly effective means

of preventing fraud. I think that insofar as there is fraud, it could be more effectively deterred by the kind of crosschecks that would be built into the proposed system.

Senator MILLER. Would the Senator yield?

Senator HANSEN. Yes, I yield.

Senator MILLER. This matter of taking up time of trained professional social workers is one that was of great concern as you know, for a long time, but it does not follow that because we are concerned about that that we have to necessarily go through to claim of eligibility. Why would it not be feasible to relieve the professional social workers of all of this effort and let them perform the duties for which they are trained and for which they really were put on the payroll in the first place, and have teams of interviewers or auditors whose only task is to determine eligibility?

Now, this was done in my State and my understanding was that it worked quite well to preserve the full time of the social workers to do what they best do. So, I do not think it is entirely responsive, Mr. Secretary, to suggest that the only alternative to what Senator Hansen was referring to is to take up the time of professional social workers.

Secretary RICHARDSON. Oh, no. You are quite right; I do not mean to suggest either that the individual would simply fill out a form and that nobody would pay any attention to it or talk to the individual or make any immediate inquiries regarding the form. People in local offices, where the individual applies for assistance, would examine his application. I was addressing myself rather to the question of whether the use of simplified application procedures would be more likely to result in fraud or in erroneous eligibility determinations than our present procedures do. Progress is now being made in a great many States toward the separation of the determination of eligibility and the administration of income payments from the administration of social services. We have just filed a report dated July 1970, which is the first annual report of the Department to the Congress on services to families receiving AFDC under title IV of the Social Security Act. In its first part this report describes the progress being made in this area. In setting up the administration of family assistance, we expect to draw upon the experience that has been gained in AFDC. In effect, the system would be designed to combine the most efficient elements of an automatic cross-check of earnings with the filling out of a form, and an interview, and so on, so that the result is an optimal combination of all elements.

Senator MILLER. I appreciate that response. If my colleague will yield further for one additional question on that point, what would be the ratio of cross-checking that you envision on this?

Secretary RICHARDSON. May I ask Mr. Montgomery to discuss this? As I mentioned earlier, he was formerly the public welfare administrator of California, and before that he administered a county program. He has come to the Department of HEW to design the administrative system for this plan.

Mr. MONTGOMERY. Senator, it is our intention to develop an administrative process that will have a 100-percent cross-check on earnings. The sources of information will be the Social Security Administration, the Internal Revenue Service, other sources of information that are

available at the Federal level, and in some instances sources available at the State level.

Beyond the earnings cross-check, there will be a sample validation, a quality or eligibility control sample. This will be statistically drawn and will cover all aspects of the eligibility process—family composition and every element with which you and we would be concerned. From that information we will be able to gain further indications as to whether there should be, beyond earnings, a 100-percent verification of other elements.

Senator HANSEN. Thank you, Mr. Montgomery.

Senator WILLIAMS. Will the Senator yield at that point?

Senator HANSEN. I yield.

Senator WILLIAMS. Under HEW regulations, States were required to test the so-called declaration method of determining the eligibility in various areas of the States in 1969. Earlier this year a report on the testing was submitted to Secretary Finch and, based on this report, he issued regulations requiring the use of the declaration method in determining the eligibility for aid to blind, disabled persons for welfare. The committee at the same time was interested in the subject and the committee asked the General Accounting Office to look into the test results and report back to us. I understand that their report is to be available in the very near future and I would suggest that as soon as it becomes available, a copy of it be made a part of the record at this point and also be called to the attention of the Secretary at the same time.

Senator WILLIAMS. I think it would answer some of these questions.

Senator HANSEN. I thank the distinguished Senator from Delaware. (The report referred to follows. Hearing continues on p. 681.)



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-164031(3)

Dear Mr. Chairman:

In accordance with a request of your staff, we are submitting to you our report on observations of the test by the Department of Health, Education, and Welfare of the simplified method for determining eligibility of persons for adult public assistance programs.

Although written comments have not been obtained, we have discussed our observations with officials of the Department of Health, Education, and Welfare.

As agreed with your staff, copies of this report are being sent today to the Secretary of Health, Education, and Welfare. We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,

A handwritten signature in cursive script that reads "James B. Axtell".

Comptroller General
of the United States

The Honorable Russell B. Long
Chairman, Committee on Finance
United States Senate



*REPORT TO THE COMMITTEE
ON FINANCE
UNITED STATES SENATE*

**Observations Of The Test
Of The Simplified Method For
Determining Eligibility Of Persons
For Adult Public Assistance
Programs D-164031(3)**

**Department of Health, Education,
and Welfare**

***BY THE COMPTROLLER GENERAL
OF THE UNITED STATES***

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ABBREVIATIONS

GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
SRS	Social and Rehabilitation Service

**COMPTROLLER GENERAL'S REPORT TO
THE COMMITTEE ON FINANCE
UNITED STATES SENATE**

**OBSERVATIONS OF THE TEST OF THE
SIMPLIFIED METHOD FOR DETERMINING
ELIGIBILITY OF PERSONS FOR ADULT
PUBLIC ASSISTANCE PROGRAMS
Department of Health, Education,
and Welfare B-164031(3)**

D I G E S T

WHY THE REVIEW WAS MADE

The traditional method of determining eligibility of persons for public assistance programs has been the object of criticism in recent years because it was considered to be too expensive and time consuming and too humiliating to the applicant. Generally under this method no decision on eligibility or extent of entitlement was made by welfare agencies until a caseworker had visited the applicant's residence and verified information previously furnished at the time of application, which included obtaining information from collateral sources. For applicants deemed eligible, redeterminations of eligibility were made at least annually following these procedures.

The Department of Health, Education, and Welfare (HEW) developed a simplified method for eligibility decisions designed to reduce administrative costs, initiate payments to eligible recipients more promptly, and make more time available for social workers to render services to recipients of public assistance.

The simplified method provides for eligibility determinations to be based, to the maximum extent possible, on the information furnished by the applicant, without routine interviewing of the applicant and without routine verification and investigation by the caseworker. In January 1969 HEW required all States to begin to implement the simplified method for adult public assistance programs in selected locations.

The Social and Rehabilitation Service of HEW instituted a test of the simplified method in July 1969, to determine whether the intended objectives were being achieved. The test included validating the correctness of decisions made by the caseworkers on eligibility and extent of entitlement through acceptance-sampling techniques. The test was carried out by State and local welfare agencies and was monitored by HEW. The results were reported to the Secretary, HEW, in January 1970. Largely on the basis of this report, HEW directed the States to fully implement the simplified method for adult programs. Implementation began in July 1970 and is to be completed by July 1971. States were also directed to develop a plan to be carried out over a period ending July 1, 1973, which would result in further simplification and improvement of the method.

Because of the continuing congressional interest in the rising costs of federally aided public assistance programs, and because of the potential significant impact of the simplified method on such costs, the General Accounting Office (GAO) observed the procedures followed in making the test and reviewed the results of the test. GAO's observations have been discussed with HEW officials but written comments have not been obtained.

FINDINGS AND CONCLUSIONS

GAO observed a number of problems in the implementation of the simplified method by the States in selected locations and in HEW's conduct of the test of the method. These suggest that HEW needs to closely monitor the nationwide implementation of the simplified method.

In implementing the simplified method,

- few States pretested the simplified application form to the extent set forth in the HEW regulations; as a result, when the testing began many States found their simplified forms to be inadequate (see p. 15),
- many welfare agency workers found it was not possible to make decisions on eligibility solely on the basis of information provided by the applicant (see pp. 15 to 16), and
- some welfare offices conducted prescreening interviews with applicants; and, in cases where the welfare worker believed the applicant to be ineligible, the applicant was not allowed to complete a simplified application form (see p. 17).

GAO noted also that

- about 83 percent of the total cases included in the test were re-determinations of eligibility which had previously been subjected to the traditional method of determining eligibility, so that the overall results of the HEW test may not be indicative of the manner in which the simplified method will operate (see pp. 17 to 18),
- a 3-percent level of incorrect eligibility decisions for accepting sampled lots was established largely on a discretionary basis (see pp. 19 to 20),
- the sampling plan used by HEW contained relatively high probabilities that the tolerable level of ineligibility was exceeded (see pp. 21 to 22), and
- a benefit-cost analysis of the simplified method was not made during the test period (see pp. 22 to 23).

GAO believes that the problems associated with the HEW test were, collectively, sufficient for questioning certain of the data from which conclusions were drawn to have the simplified method implemented on a nationwide basis. However, the problems we observed should not be construed as meaning that GAO is opposed to use of the method.

HEW advised GAO that most of the problems were the result of a short time frame within which to plan, conduct, and report on the test.

RECOMMENDATIONS OR SUGGESTIONS

To ensure that the States implement HEW's simplified method in an effective manner and work toward further simplification and improvement of the method, the Secretary of HEW should

- provide the States with specific guidelines as to when, and the manner in which, inconsistent statements made by applicants at the time of application should be verified by information obtained from collateral sources (see p. 24),
- provide for an examination of the simplified application forms adopted by the States and, where the forms are found to be inadequate, provide assistance to the States in designing and implementing a simplified form upon which proper eligibility determinations can be based (see p. 25), and
- reevaluate the 3-percent tolerance level for ineligibility on the basis of experience gained through continued validating procedures when the simplified method becomes operational in a representative number of States (see 25).

CHAPTER 1INTRODUCTION

GAO has observed the procedures followed by the Social and Rehabilitation Service, HEW, and the States in implementing and testing the simplified method for determining eligibility of persons for adult public assistance programs. GAO has not reviewed the appropriateness of the simplified method. The adult programs are authorized by title I, old age assistance; title X, aid to the blind; title XIV, aid to the permanently and totally disabled; and title XVI, aid to the aged, blind, or disabled, of the Social Security Act, as amended (42 U.S.C. 301-1385). During fiscal year 1969 about \$1.6 billion of Federal funds were expended for these programs and about 2.8 million persons were provided assistance.

The traditional method of determining eligibility for public assistance programs has been the object of criticism in recent years. Welfare agency employees interviewed each person applying for assistance and completed an application form for the applicant. Decisions on an applicant's eligibility and the extent of entitlement were generally not made by the agency until a caseworker had visited the applicant's residence and verified the information previously furnished at the interview. In many cases collateral sources of information (such as birth certificates, interviews with landlords, and inquiries of the Social Security Administration) were sought in an effort to verify certain eligibility factors. Only after a thorough investigation would a decision on eligibility and extent of entitlement be made. For an applicant deemed eligible for an adult program, a redetermination of eligibility was made at least annually, following the same procedures.

Criticism of the traditional method has been that it is too expensive and time consuming and that it is humiliating to the applicant or recipient. Therefore, HEW developed a simplified method for determining eligibility designed to reduce administrative costs, initiate payments to eligible applicants more promptly, and make more time available for social workers to render services to recipients of public

assistance while maintaining the validity of eligibility determinations. The simplified method provides for eligibility determinations to be based, to the maximum extent possible, on information furnished by the applicant, without interviewing the applicant for the purpose of verifying information and without verifying information through collateral sources.

In January 1969 HEW issued a regulation that required all States to begin to implement the simplified method of determining eligibility for adult public assistance programs in selected locations. The regulation stated that the testing of the simplified method would begin no later than July 1, 1969. The purpose of the test was to determine whether the simplified method was achieving its intended objectives.

The purposes of this report are to summarize our observations on the test conducted by the Social and Rehabilitation Service and the States and to indicate need for action by the Secretary of HEW which we believe will promote proper implementation of the simplified method. The scope of our review is described on page 26.

CHAPTER 2INSTRUCTIONS RELATING TO
TESTING OF THE SIMPLIFIED METHOD

Social and Rehabilitation Service (SRS) Program Regulation 10-3, issued on January 24, 1969, provided guidance to State public assistance agencies in establishing and administering a simplified method for determining eligibility under all public assistance programs authorized by the Social Security Act. The Assistance Payments Administration of SRS issued supplementary guidance to the State agencies on March 28, 1969, explaining more fully the content and intent of SRS Program Regulation 10-3.

This chapter contains a brief description of SRS and Assistance Payments Administration guidelines concerning the manner in which the simplified method was to be implemented and tested by the States in the adult assistance programs. Testing for the aid to families with dependent children program, authorized by title IV-A of the act, and the medical assistance program, authorized by title XIX of the act, has not been completed by SRS. Thus, our observations in this report pertain only to the adult programs.

DEFINITION

The SRS regulation states:

"The simplified method means an organized method by which the agency accepts the statements of the applicant for, or recipient of assistance, about the facts that are within his knowledge and competence *** as a basis for decisions regarding his eligibility and extent of entitlement."

The simplified method called for use of a simplified application form; a pretest of this form; an organizational structure for implementing the method, including training of staff, testing, and validating the method on a sampling basis at the time of implementation to ensure proper

installation; and subsequent continuing reviews of samples of the decisions made (validation reviews).

SRS guidelines stated that the simplified method could not be effective in a State that required either a mandatory interview or a routine verification of information in all or a substantial number of cases. The guidelines stipulated that most applicants and recipients were capable of furnishing the necessary information and, therefore, the State should consider them as the chief source of information and should not verify the information. The simplified method was not to apply to eligibility factors for which policy required procedures beyond the applicant's statement, such as (1) a medical examination to determine the extent of blindness, (2) a medical and social determination as to permanent and total disability, and (3) a determination of whether training or employment had been refused for good cause.

TEST PERIOD AND LOCATIONS

States were to begin testing the simplified method for the adult categories no later than July 1, 1969. The test was to cover both new applicants and persons on the rolls for whom determinations of eligibility were due. (Redeterminations are made at least annually for adult programs.) Prior to July 1, 1969, States were to develop and pretest a simplified application form. The test for the adult programs was to cover the determinations of eligibility made during July and August 1969, and the results of the testing in each State were to be reported to SRS by October 1, 1969. Those States which had previously administratively adopted a simplified method were instructed to reexamine their existing systems for compliance with SRS regulations.

Generally, States were permitted to select the locations in which to carry out the test. It was required that at least one urban area in each State be selected. Locations selected were to be representative of the statewide case-load in terms of assistance categories, availability of staff, ethnic makeup of clients, areas of special needs, or other program peculiarities.

PRETESTING

SRS instructed the States to pretest their simplified application form. The purpose of pretesting was to discover and correct ambiguous language, ensure that the information requested was relevant, and show whether persons understood what information was being sought and why it was needed. States were instructed to pretest the form by using the traditional method for determining eligibility, including interviews and verification of each item of information furnished. SRS believed that this would reveal any problems in the use of the simplified form and would allow necessary changes to be made before the start of the test.

The SRS guidelines required that the simplified application form be reviewed and approved by SRS regional office personnel prior to the pretest. After initial approval, any significant revisions or supplements to the form were also to be approved by SRS regional office personnel.

PRUDENT-PERSON CONCEPT

The States were to use the information provided by the individual and recorded on the simplified form in determining eligibility and extent of entitlement. If questions arose concerning the information on the form, the individual was to be given the opportunity to furnish additional or clarifying information. If the person was unable to provide such information, the State agency was to obtain permission from the applicant to seek the information from other sources.

The States were instructed to establish criteria for unusual cases; that is, instances of inconsistencies or gaps in the information presented which could not be resolved by the applicant and which, to a prudent person, suggested the need for further explanation or verification. The SRS guidelines specified that there must be a particular reason for seeking additional information; that is, a specific factor of eligibility for a specific case must be in question and not a factor applicable to a sample of cases or all cases from a particular test location.

VALIDATION PROCESS

States were to establish a validation review system to measure the correctness of decisions made through use of the simplified method. The system encompassed the use of a full field review (traditional method) of samples of local agency decisions and was to determine the reliability of the method in producing decisions of eligibility and the extent of entitlement. SRS designed a sampling plan for the States to follow in carrying out their validation reviews. This sampling plan was designed to review relatively few cases while producing statistically valid information in the test location. Under this plan, States were required to review a designated number of sample lots, each including 150 sample cases; the number of sample lots was dependent upon the total caseload in the State. The sampling plan was designed to determine whether the simplified method operated within a predetermined tolerance level of 3-percent incorrect eligibility decisions in the selected test locations.

After each case was reviewed, the reviewer was to determine the correctness of the eligibility determination and the amount of payment. When the eligibility determination was considered to be incorrect, the causes for the incorrect determinations were to be identified as an agency error or an applicant error. An agency error resulted if the agency (1) misused correct information provided by the applicant or (2) failed to follow up on information which was incomplete, unclear, or inconsistent. An applicant error resulted if the applicant provided incorrect information.

CHAPTER 3RESULTS OF TESTING SIMPLIFIEDMETHOD OF ELIGIBILITY DETERMINATIONAS REPORTED BY SRS

Pursuant to guidelines issued by SRS, States implemented and tested the simplified method for determining eligibility. SRS regional office personnel were primarily responsible for evaluating and reporting on the States' activities relating to the test. The regional offices prepared reports for each State, describing the results of the testing and presenting the statistical data which had been gathered. The information from the States and the regional offices was forwarded to the SRS central office in Washington, D.C., where it was tabulated and analyzed.

On January 2, 1970, an SRS report entitled "A Report of Findings on Testing the Simplified Method in the Adult Categories - 1969" was forwarded to the Secretary, HEW, for his review. This report summarized the findings of the tests in the States and presented data relating to eligibility, correctness of payments, and problems encountered during the test period.

The report concluded that the use of simplified forms enabled applicants and recipients to provide sufficient information upon which accurate determinations of eligibility and extent of entitlement could be based and that these determinations could be made and assistance provided quicker and with less paper work than under the traditional method. The report also stated that, by using staff trained especially for determining eligibility and extent of entitlement, the simplified method could free social work staff for service programs. The report noted that, as a result, the simplified method could be more economical than the traditional method and still provide a basis for valid determinations of eligibility and extent of entitlement.

The report included a recommendation that the Secretary require the use of the simplified method on a

permanent basis for the adult public assistance programs. According to SRS, analysis of the test results supported the conclusion that the simplified method is superior to the traditional method and the national test supports earlier results of testing in some individual States.

Of the 54 States and jurisdictions that have public assistance programs, all but three participated in the test. Of the 51 States and jurisdictions that participated, five had not completed testing at the time the report was issued and seven had sample sizes deemed too small by SRS for drawing statistically reliable inferences. Therefore, the SRS report was based on the results of tests in 88 test locations, or sample lots in 39 States and jurisdictions. The report stated that the findings were statistically supported for the test locations sampled and that these test locations were representative of the entire State or jurisdiction.

The report to the Secretary stated that, of the 88 sample lots, the predetermined 3-percent level of incorrect eligibility decisions had been exceeded in 11 lots in seven States. For the 11 lots in which the tolerance level was exceeded, 115 cases were determined to be ineligible. For these 115 cases, there were 153 errors--102 were agency errors and 51 were applicant errors. Many of these errors were made in computing income or evaluating other resources.

In the report SRS explained that, since the underlying premise in the simplified method was reliance on the applicants' statements without routine verification, it was important to note that, in only one of the 11 sample lots, was the 3-percent tolerance level exceeded because of the applicants' giving incorrect information. In summary, the report stated that the testing had demonstrated that applicants could be relied upon to provide accurate information for the purpose of determining eligibility for assistance.

A tolerance level was not established for the test relating to the number of incorrect payments in a given sample lot. Although the SRS report contained information on incorrect payments, they were not discussed on a sample-lot basis. The report stated that overpayments were involved

in 1,873 cases, or 14.8 percent of the 12,723 sample cases reviewed. The average overpayment was \$11.14 per month. Underpayments were reported for 1,118 cases, or 8.8 percent of the cases reviewed. The average underpayment was \$7.79 per month.

The report stated that, of the 51 States and jurisdictions which tested the simplified method, 43 continued using it in at least the test locations of the State after the test period. As of April 30, 1970, 20 States had extended the use of the simplified method statewide for all adult programs.

On May 28, 1970, the Secretary mandated the use of the simplified method for determining eligibility beginning July 1, 1970, for the adult public assistance programs. Its use is to be gradually extended so that it is in effect nationwide no later than July 1, 1971. At the same time the Secretary directed the States to develop a plan to be carried out over a period ending July 1, 1973, which would result in (1) further simplification of eligibility and procedural requirements, (2) further simplification of forms, (3) modernization of the payment mechanism, and (4) appropriate training and utilization of staff.

The Secretary's mandate was based in large part on the SRS report on the results of the national testing of the simplified method.

CHAPTER 4GAO OBSERVATIONS OF THE TEST OF THE
SIMPLIFIED METHOD IN THE ADULT PROGRAMS

In its January 1970 report to the Secretary, SRS pointed out that the States had encountered problems in testing the simplified method for the adult public assistance programs. Most of these problems related to States' adherence to the test guidelines. Although SRS mentioned these problems in its report, SRS expressed the opinion that the test methodology and findings had not been adversely affected.

During our observation of the testing, we became aware that the States were experiencing problems in adhering to the SRS guidelines. We found that many States did not comply with all the provisions of SRS Program Regulation 10-3 so that, in effect, many variations of the simplified method were tested rather than the method intended by SRS. By variations of the simplified method, we mean that certain key provisions specified by SRS were not followed.

According to an SRS official, two reasons that the States did not adhere to the SRS provisions were: (1) some States which had established a form of the simplified method prior to the national test found it difficult or impractical to change from the method in force for the short time allowed for testing and (2) several States questioned the validity of eligibility determinations based on the simplified method.

SRS regional office officials visited States and jurisdictions to observe the testing of the simplified method and prepare reports describing the test practices of the States. We noted that these reports were limited to a description of the States' practices in testing the simplified method and that, generally, attempts were not made to change those practices that were not consistent with the guidelines established by SRS. It appears that the States were permitted wide latitude in carrying out their tests so that the testing could be completed by October 1, 1969.

We observed a number of problems in the implementation of the simplified method by the States in selected locations and in HEW's conduct of the test of the method. A test conducted without the problems which we noted might have shown that the simplified method could operate nationwide in an efficient and effective manner. Nevertheless, the problems noted suggest that HEW needs to closely monitor the nationwide implementation of the simplified method.

State implementation problems consisted of

- limited pretesting of the simplified form (see p. 15),
- the need to use collateral sources of information in determining eligibility (see pp. 15 to 16), and
- prescreening of applicants, thus not allowing all to make application for assistance (see p. 17).

Problems noted in HEW's conduct of the test were

- inclusion in the sample lots tested of a significant number of cases which had previously been subjected to a traditional method of eligibility determination (see pp. 17 to 18),
- discretionary choice of 3 percent as the tolerance level of ineligibility (see pp. 19 to 20),
- sampling plan insufficient to ensure the desired reliability of results (see pp. 21 to 22), and
- absence of the benefit-cost analysis to demonstrate savings (see pp. 22 to 23).

HEW officials advised us that most of the problems noted above were the result of the short time frame within which to plan, conduct, and report on the test.

The details of our observations follow.

LIMITED PRETESTING OF SIMPLIFIED FORM

SRS instructed the States to pretest the simplified application form before testing the simplified method so the form could be revised and supplemented as necessary, to eliminate problem areas. SRS provided a model form to the States to give them an idea of how the form could be designed. HEW officials advised us, however, that variations in State laws and regulations governing the assistance program made it impracticable for them to prescribe use of a specific format.

According to the SRS January 1970 report, most States carried out some pretest activities but few States pretested to the extent set forth in the SRS regulations and no State was able to design a truly simplified form.

When the actual testing of the simplified method began, many States found their simplified forms to be inadequate. They had to either alter their forms while the testing was in progress or continue to use the inadequate forms. It appears that, because sufficient time had not been allowed to adequately pretest the simplified form, some were not suitable. Many applicants were unable to complete the forms because of misunderstanding and confusion. Routine interviews between welfare agency workers and applicants became common because it was not feasible to determine eligibility solely on the basis of information furnished on the form.

USE OF COLLATERAL SOURCES OF INFORMATION TO DETERMINE ELIGIBILITY

SRS guidelines stated that the simplified method would not be considered effective if the State routinely interviewed applicants or independently verified data furnished by the applicant. We noted, however, that in many States workers found they had to obtain information by other means before a determination of eligibility could be made. These other means included routine interviews, home visits, completion of supplementary forms, or, in a case of redetermination of eligibility, reference to the recipient's case record. SRS acknowledged in its January 1970 report that many States required routine interviews.

For example, local welfare officials in Baltimore, Maryland, informed us that, even though the simplified method was used, it was required that each new applicant for assistance be interviewed at the time of application; this requirement did not apply to redeterminations of eligibility. These officials explained that they believed it was necessary to check the applicants' answers provided on the form to make certain that the questions had been interpreted correctly and answered completely.

In New York City we observed that, before determinations of eligibility were made, documentation verifying certain information for new applicants was obtained. The verified information related to amounts of (1) income earned, (2) pensions received, (3) face value and premiums of insurance policies, and (4) property owned. An SRS official who made an onsite visit to New York City concluded that such routine verification largely defeated the purpose of the simplified method.

It appears that the use of routine interviews and verification checks was the result, to a certain extent, of SRS's failure to provide definitive guidance to the States relative to the prudent-person concept. (See p. 8.) SRS regulation 10-3 provided that:

"When under the simplified method statements of the applicant or recipient are incomplete, unclear, or inconsistent, or where other circumstances in the particular case indicate to a prudent person that further inquiry should be made, and the individual cannot clarify the situation, the State agency will be required to obtain additional substantiation or verification."

Such general guidance allowed the States considerable discretion in developing more specific criteria concerning the circumstances which would indicate, in a particular case, that additional verification was necessary before a determination of eligibility could be made. Interviews or verification practices were a routine part of the systems adopted in Baltimore and New York City.

PREScreenING APPLICANTS BEFORE THEY
WERE ALLOWED TO APPLY FOR ASSISTANCE

Under the simplified method for determining eligibility, applicants for public assistance were not to be routinely interviewed. Discussions were allowed to assist the applicant to complete the form and to discuss social service needs after the applicant had completed an application form. We were informed that in no case was a person to be interviewed prior to applying for assistance.

In New York City we were informed that, in a number of the welfare centers, applicants were being interviewed before being afforded the opportunity to apply for assistance. New York City Department of Social Services officials stated that, as a result of these prescreening interviews, many persons had not applied for assistance because the interviewer had decided that the person was not eligible. These officials stated that they did not know the extent of this practice because records were not maintained for those prescreened. We were not able to ascertain the extent to which this practice might have been followed in other States and cities which participated in the test of the simplified method.

This practice of prescreening could have adversely affected the conclusions based on the test results of the simplified method in New York City because there was no assurance that the individuals denied assistance in this manner would have been found ineligible had they been permitted to apply for assistance in accordance with SRS regulations; that is, by making formal application on the simplified form. Therefore, such cases could not become part of the total case load universe from which the sample cases were chosen for validation purposes and, to the extent omitted from the universe, introduced a bias into the sample lots.

SAMPLE LOTS INCLUDED CASES PREVIOUSLY
SUBJECTED TO THE TRADITIONAL METHOD
OF DETERMINING ELIGIBILITY

SRS regulation 10-3 provided that the test of the simplified method would include both new applicants for

assistance and persons on the rolls whose eligibility had been determined under the traditional method. In selecting the sample lot cases, the States were instructed to consider the entire case load of adult public assistance cases. There was no requirement that States select a minimum number of new cases or redetermination cases for the test.

We noted that, of the total cases reviewed during the test, about 17 percent were new applications and about 83 percent were redeterminations of eligibility. Few States gathered data to show whether a sample case found to be ineligible was a new application or a redetermination case.

We believe that the characteristics of redetermination cases might differ from the new application cases included in this test because the original decision of eligibility and any previous redeterminations would have been carried out under the traditional method--not the simplified method. Also, the life situation of individuals included in the adult categories--the aged, the blind, and the disabled--would probably not change significantly from one year to the next.

Accordingly, it would have been beneficial to SRS if ineligible cases had been identified as being new applications or redeterminations. This information would have helped to provide additional insight into the operation of the simplified method, would have identified in which groups of cases incorrect decisions occurred, and would have allowed corrective action to be initiated promptly.

In the future the simplified method will be used to make initial eligibility determinations and redeterminations. Since 83 percent of the test cases were redeterminations which had been subject to prior review under the traditional method, it is possible that the test findings are not indicative of the manner in which the simplified method will operate once most redeterminations are of cases which were initially accepted under the simplified method.

TOLERANCE LEVEL OF INELIGIBILITY

HEW established that a maximum level of 3-percent incorrect eligibility decisions was acceptable for the adult public assistance programs in each selected test location.

SRS officials advised us that the 3-percent tolerance level was established largely on a discretionary basis. These officials stated that it was necessary for monitoring purposes to establish some threshold and that the 3-percent level seemed feasible for indicating whether the simplified method could produce acceptable results. Also, according to these officials, under the traditional method the level of ineligibility experienced was 3-percent and State officials indicated they could "live with" a 3-percent ineligibility factor under the simplified method.

The Secretary's mandate for use of the simplified method also establishes a 3-percent tolerance level on incorrect eligibility decisions. SRS regulations provide that:

"When it is determined that the rate of incorrect eligibility decisions exceeds a 3 percent tolerance level, the State *** agency must conduct a 100 percent verification of those specific factors of eligibility identified as causing the unacceptable incorrect decision rate. This more intensive investigation on specific factors of eligibility will be continued until the Federal agency and the State assess the situation and work out a solution."

We believe that SRS should reevaluate the 3-percent tolerance level on the basis of experience gained in the early months of implementation of the validation system for decisions made under the simplified method. In our opinion the 3-percent ineligibility level may be too high considering that the adult programs (aged, blind, or disabled persons) are much less susceptible to changes in eligibility status than the program for aid to families with dependent children (for which a 3-percent tolerance level also applies). On the other hand, the 3-percent level may be too low when considering that, under the traditional

method, the statistical data provided through the validation system was not designed to measure the rate of ineligibility but the effectiveness of the local caseworkers' actions leading up to the determination of the applicant's eligibility.

STATISTICAL SAMPLING DESIGN
IMPLEMENTATION AND INTERPRETATION

The SRS acceptance-sampling plan for testing the simplified method was designed on the assumption that ineligibility rates would not exceed 3 percent. Using a sample size of 150 cases per lot and an acceptance number of 8 incorrect eligibility cases, the plan provides for 96-percent probability of accepting sampled lots having ineligibility rates of 3 percent. According to the SRS report of January 1970, 11 of the 88 lots sampled were unacceptable because they contained more than 8 incorrect eligibility cases.

The SRS plan also provided a high risk (probability) of accepting lots whose ineligibility rates were greater than 3 percent. For example, a sampled lot with an ineligibility rate of 4-percent had an 85-percent probability of being accepted; a sampled lot with a 5-percent ineligibility rate had a 66-percent probability of being accepted; and a sampled lot with a 6-percent ineligibility rate had a 45-percent probability of being accepted.

The probabilities of accepting lots with ineligibility rates from 1 to 10 percent, under the SRS acceptance-sampling plan, are shown below.

<u>Ineligibility rate</u> <u>of lot submitted</u>	<u>Probability of</u> <u>accepting lot</u>
1%	100%
2	100
3	96
4	85
5	66
6	45
7	27
8	14
9	7
10	3

SRS could have selected any of a number of acceptance-sampling plans that would have reduced the risk of accepting lots whose ineligibility rates exceeded 3 percent. For example, with a sample size of 400 and an acceptance number

of 13, the probability of accepting an ineligibility rate of 4 percent is only 27 percent; of 5 percent, only 6 percent. The plan (400/13) also provides an almost certainty of accepting ineligibility rates up to 2 percent and almost 70-percent probability of accepting ineligibility rates of 3 percent.

We believe, therefore, that the sampling plan used by SRS was not sufficient to ensure that the simplified method did operate within the 3-percent ineligibility limits because of the high probability that ineligibility rates exceeding 3 percent would also have been accepted.

SRS officials advised us that, in their opinion, the probability of the tolerance level's being exceeded because of incorrect information furnished by the applicant--which is basic to the use of the simplified method--was very small since about two thirds of the errors which resulted in the 11 lots' being unacceptable were caused by agency errors and only one third were caused by applicant errors. (See discussion on pp. 11 and 12.)

BENEFIT-COST ANALYSIS OF THE SIMPLIFIED METHOD

Although a benefit-cost study was not included as part of the test, the SRS report states that studies made in three States showed that administrative costs could be reduced by using the simplified method rather than the traditional method of determining eligibility. The report summarized the findings in the three States as follows:

1. In Salt Lake County, Utah, for a 6-month period ended December 31, 1968, the cost per case for all public assistance programs (adult and aid to families with dependent children) was about \$11.50, compared with \$17.70 under the traditional method.
2. For the State of Maine during fiscal year 1968, the cost per case for all public assistance programs approximated \$6.30, compared with \$22.50 under the traditional method.

3. In Indiana County, Pennsylvania, for the quarter ended September 1968, the cost per case for all public assistance programs was about \$34.50, compared with \$48.80 under the traditional method.

The SRS report stated that the cost reductions were primarily attributable to a reduction in the amount of staff time involved in eligibility determinations. Also, according to the SRS report, the number and complexity of State eligibility requirements and the extent of verification are responsible for the differences in the per case cost figures in each State.

The studies in these States were conducted at least 6 months before the simplified method prescribed by SRS regulation 10-3 was tested. Therefore, we believe that these studies analyzed three forms of the simplified method which were different from the method prescribed by SRS. Further, although these studies indicated that administrative costs could be reduced by use of the simplified method, the report did not show whether the ineligibility rate under the simplified method was more than, less than, or the same as the ineligibility rate under the traditional method. This comparison seems important because any reduction in administrative costs resulting from use of the simplified method could be nullified if the ineligibility rate under the simplified method is higher than the ineligibility rate under the traditional method.

CHAPTER 5CONCLUSIONS AND INDICATED NEED FOR ACTIONBY THE SECRETARY OF HEW

The mandating of the simplified method of determining eligibility in the adult public assistance programs on a nationwide basis was based in large part on the results of the test of the simplified method. We believe, that the problems associated with the SRS test were, collectively, sufficient for questioning certain of the data from which the report conclusions were drawn. The problems we observed should not be construed as meaning that we are opposed to use of the method. We believe, however, that there is a need for the Secretary of HEW to take steps to help ensure that the States implement the simplified method in the manner prescribed by HEW now that the method has been mandated on a nationwide basis. In this connection, we note that the Secretary has directed the States to develop a plan to simplify and improve the simplified method over a period ending July 1, 1973.

HEW conclusions concerning the validity of eligibility decisions and administrative cost reductions were generally not based on experience from using the simplified method prescribed by HEW. Prescreening, obtaining collateral information, and conducting investigations at the time of application were specifically prohibited under the simplified method prescribed by HEW. Although the inadequacies of the simplified application forms contributed to the need for additional information-gathering techniques for decision-making, we believe that the broad prudent-person concept and the reluctance of State agencies to accept the information furnished by applicants have impeded implementation of the HEW-prescribed method.

Accordingly, to assist the States in implementing the simplified method as prescribed, we believe that the Secretary needs to provide the States with specific guidelines as to when, and the manner in which, inconsistent statements made by applicants at the time of application should be verified by information obtained from collateral sources.

The simplified application form is essential to the functioning of the simplified method, and it must therefore be designed to ensure that eligibility decisions can be based on the information furnished by the applicant. Unless the simplified application forms designed by the States provide the type of information upon which proper determinations of eligibility can be made, the simplified method as prescribed by HEW--that is, no routine interviews and routine verification of information--will not be effective.

Accordingly, the Secretary needs to provide for an examination of the simplified application forms adopted by the States and, where the forms are found to be inadequate, provide assistance to the States in designing and implementing a simplified form.

We believe further that, since the 3-percent tolerance level for ineligibility was not based upon experience with the simplified method, the Secretary should reevaluate this level--through continued validating procedures--considering the experience gained when the simplified method becomes operational in a representative number of States.

CHAPTER 6SCOPE OF REVIEW

Our observations of the implementation and testing of the simplified method in the adult public assistance programs by SRS and the States were made primarily at the central office of HEW in Washington, D.C. We reviewed the test design, the reports submitted by the State welfare agencies and SRS regional offices concerning the manner in which the testing was carried out, and the results of the testing. We analyzed certain data that had been prepared by the SRS staff which summarized the reports submitted by the State welfare agencies, and we discussed our observations with SRS officials.

In addition we accompanied SRS review teams on visits to New York City and Baltimore, Maryland, to observe and discuss the means used by the States in implementing and testing the simplified method.

• We also analyzed the SRS report of January 1970, which summarized the experiences and findings of the States in carrying out the testing of the simplified method, and compared the information included in the report with the information we developed during our observations of the testing.

INVESTIGATING ELIGIBILITY

Senator HANSEN. Let me observe this. The changes that you propose to incorporate in the system in order better to determine who has received what as you dispense the benefits that go with welfare, really has the same applicability when we discuss persons on welfare as when we discuss persons filing an income tax return. I am sure that I do not need to dwell upon the incomparability of these two tests. In the first place, when you speak about recovery of what you paid to somebody, I doubt very much that this administration, of which I am a part, or any other administration is going to have a very good record to boast of in recovering money paid to welfare recipients who were not eligible. I cannot believe that. I think that the system, the check with social security payments and Internal Revenue as you have spoken about earlier, those things work all right but I know, as a former Governor of Wyoming, we had people from time to time—employers who went bankrupt—who failed to make social security payments, and it is a pretty tough job to go back to a bankrupt contractor and try to get money out of him.

It would be an impossible job to try to go to a welfare recipient and say to him, we overpaid you \$35 in May and we want this money back.

What are you going to do? Are you going to put him in jail? How do you propose to get to that?

Secretary RICHARDSON. Before Mr. Montgomery answers the question of how it would be handled, I do want to restate one general point, Senator. What we are really talking about now are the problems that arise out of making payments to people who should not be getting them because they are not really eligible or because they are not eligible for that much. I hope we have made it clear that the kind of system that we have been describing, we think, would be better able to prevent this kind of error than the present one.

Senator HANSEN. Well, let me say this. I have to agree with you, Mr. Secretary, that it should not be too difficult to improve upon the present system. I think that everybody agrees that is it capable of being improved upon. But when we talk about changes which, though they are well intentioned and I agree that they are and I agree that the philosophy back of them has much that would endorse it, it seems to me that as you relax the checks that we now have, which obviously are not working any too well, we get into a situation that I might say reminds me of a situation now before the American people as they consider the wholesomeness of the meat that they have. We have some 8,600 Federal full-time meat inspectors watching the processing and slaughtering of all of our meat products in this country. We have about 16 inspectors who cover 50 foreign countries taking care of 1,500 foreign plants, and though their system is just like ours here, they are admittedly only going to get around once a year and I think that is about what we are talking about as you speak of, as you did on the 21st of July, in relaxing—I mean, making simpler these eligibility requirements.

It is your intention to check but I submit that the checks are going to be after the fact. If you have to wait for social security payment figures, if you have to wait for reports from the Internal Revenue

Service, I should think that they are going to be far too old to have any bearing upon whether or not John Jones this week is eligible for some welfare payments. That is the point I am trying to make.

Secretary RICHARDSON. Will you—

Mr. MONTGOMERY. Thank you, Mr. Secretary.

Senator, I think the concern that you are expressing is also one of our concerns in planning the administration of the program. One of the areas in which we must be careful is that of the so-called home checks. The investigatory process of the present AFDC program tends to let people believe that this in an accurate crosscheck, and that we have the administrative ability to determine the amount of earnings that actually are available to the family. I would suggest that we look at the experience of the present program and also some of the early work in alternate methods. I prefer not to refer to the latter as a "declaration" approach because that leads one to believe that there are no built-in crosschecks. The point here is that the present system has not been effective in determining earnings. It has been reasonably effective in looking at family composition and some other elements. Some States have made preliminary movement on alternate methods. At least one State is moving toward full statewide implementation of the alternate kind of earnings checks that we are talking about on a national basis. I would suggest that this experience and the judgment of those of us who have been working in the welfare field is that when you come to grips with the matter of earnings, which is the most severe problem in terms of either overpayments or ineligibility, the system that the Secretary is referring to is far more effective than the present home investigative method.

Senator HANSEN. Now, I am not arguing with that point, but I am saying that as you relax the eligibility requirements, it seems to me that while the system, while the rationale that inclines you to believe, I think not without justification, that this is a better way, falls apart and breaks down as you contemplate, and I quote the Secretary:

Crosschecks of earnings data and sampling of recipients' reports as protection for the system.

So, while you have got a great concept in order better to evaluate and to take into account all of the elements that should be considered in determining eligibility, I say simply by the Secretary's own statement, it seems to me, that it implies to me he is talking about samplings of welfare recipients' reports and crosschecking of earnings and these are going to be after the fact, so that the person who comes down today and says I am eligible, gets his welfare check, you may find out some several days or weeks later that he was not eligible.

I do not see anything in this language to indicate to me that you are going to have the information that you should have when you need it.

Mr. MONTGOMERY. I think you have a good point but I would suggest again that the system that we are planning will be more effective irrespective of the other elements of the family assistance plan. This particular system that we are talking about will be more effective in developing the type of information that the prosecutor will need in those cases of willful misreporting. I think, in essence, that this is what you are talking about; a case where a family applies for either

State supplement or family assistance benefits and in the process does not report its earnings in an accurate manner.

Now, the process that is being planned for use and implementation will provide, in my judgment and I think in the judgment of many in the field of welfare administration who have the same concerns you do, greater evidence on the person who has in fact designed to cheat the system than is possible under the present technique. This is one reason I would suggest that some States are trying, even under AFDC, to find a better way to come to grips with this particular problem of unreported earnings than now is feasible with a home visit of a social worker or an eligibility worker or some other employee of the county or State government on a face-to-face basis. We do recognize and appreciate the concern that you have, and I believe that the proposed technique of 100 percent cross-check of earnings, even though there will be a delayed action here, combined with our intent to make clear to each applicant the responsibilities that he has for reporting both initially and on a continuing basis the amount of earning and changes in family composition, will provide for greater opportunity for successful action against those relatively small numbers of the family assistance population who may try to intentionally take advantage of the system.

Senator HANSEN. I might just make one further observation. I know as we were talking about postal reform earlier this year, the point was made, and dropped, that while it was against Federal law to strike against the Government when you are a Federal employee, I do not think anyone really seriously contemplated the possibility that the Federal Government might move in to prosecute the strikers and actually work toward their conviction and subsequent incarceration in a jail, and I cannot believe that we are going to do that with welfare recipients, either.

I would just suggest that if anyone is naive enough to believe that we are going to get tough with someone on welfare in trying either to collect money that was unfairly paid to him or that was inappropriately paid to him, if we intend either to get that back or to penalize him in some other way, the only other way I know of is that you are not going to get your next month's payment, and if you say that, then aren't you saying that the children in the family are going to be penalized because of the lack of veracity on the part of a parent? How do you propose to penalize a person who falsifies a statement without visiting that penalty upon those who were not participants in it and upon whom the burden will fall with greatest weight?

Secretary RICHARDSON. Senator, may I make a few comments? First of all, you have used a word "relax" or words to that effect in referring to the determination of eligibility. As I think Mr. Montgomery has made clear, the plan under which we are proceeding would not relax anything. It would simplify it. But it would also make it more efficient than the existing system in identifying error and thus making it possible, where the error is willful fraud, to prosecute the violator.

Any such system, of course, has to rely to a considerable extent on the deterrence of violations. I used to be U.S. attorney in Massachusetts, prosecuting violations of the tax laws. I was prosecutor, incidentally, of one Bernard Goldfine, and I think to a much greater ex-

tent than most taxpayers realize, the integrity of the system depends upon the awareness that a certain number of returns are checked. A certain number of people will be prosecuted, but any program has to rely very largely on the decency and patriotism and sense of citizenship of most taxpayers.

The welfare plan we are proposing will provide a much more adequate system of turning up violations than we have under the income tax system. Additionally, there is provision for handling the matter of overpayments and underpayments. The applicable provisions of the bill on page 156 of the committee print—

Senator HANSEN. Mr. Secretary, if I may interrupt just a moment, let me ask you if you contemplate an exercise that will be more detailed and more exacting than that characterized in the Internal Revenue Service? Do you anticipate the time may come when there may be more administrators in welfare than there will be recipients?

Secretary RICHARDSON. No, Senator. As a matter of fact, what we are talking about here would not be possible without computer technology. It could not be done manually because you simply could not store and transmit the information. So far as the administration of money payments is concerned, we would expect to end up with a smaller number of people or a smaller number of man-years devoted to this alone than the total welfare system now employs.

I cannot say what this will mean in terms of social workers providing services, but I think it is quite clear that notwithstanding the addition of families under the plan, that it would end up with a proportionally lower number of people handling payments than we have now.

PROJECTIONS BASED ON ASSUMPTION ALL ELIGIBLE APPLY FOR BENEFITS

Senator HANSEN. Let me make one further point, Mr. Secretary, and I just raise it in order that you might understand some of the concerns that I have.

It is my understanding that you base your projections on the assumption that all persons eligible will receive welfare. I am talking now about the welfare load as we contemplate the application of this proposal which a great many people hope will become law and in trying to get some measure of the persons on welfare, its total cost, and so forth, it is my understanding that as you contemplate the application of this proposal, you have said that there are persons presently eligible for welfare not on the rolls, and when you look ahead to say that by 1971 or 1972 we will have 24 plus million people on welfare, maybe 28 million by 1976, you are saying this would be the case if all eligible persons were to become part of the program. Am I right about that?

Secretary RICHARDSON. Yes.

Senator HANSEN. All right. Then, I do not get the feeling that this is the information contained in the material you submitted in the green committee print. As was pointed out yesterday, the tables on pages 24 and 35 show recipients rather than persons eligible, but beyond that, only the number of persons receiving family assistance benefits seem to be based on the assumption that all persons eligible will receive benefits.

If you look at the footnote to table 4(a) on page 24 of the green committee print, you see that it says:

Except for payments to families under the family assistance plan, the projections assume a continuation of recent trends.

Now, to me this means that your estimate of persons receiving State supplementation is based on current trends rather than on an assumption that all persons eligible will receive benefits. Would you care to comment on that?

Secretary RICHARDSON. Well, of course, we really have a large inclusive figure which includes all families who would become eligible for any family assistance plan payments. The numbers of families on AFDC now are what you might call a lesser included figure because they would, with almost negligible exception, automatically be included under the proposed new plan.

Now, these are cost figures and we are saying, in effect, that in calculating costs for the total program, you have to calculate the Federal share of the State supplement of 30 percent. So, in order to calculate that cost, there is a projection of AFDC trends. But the gross figure for all families covered is derived by the methodology described in the text. That is within the family assistance plan overall figure, the number of families receiving State supplements, in effect, AFDC families, is derived from the projections of the current AFDC trends. But this would not affect the gross number.

Senator HANSEN. I will be interested in reviewing the record later on to see if I understand precisely what you mean, Mr. Secretary.

FURNITURE FOR WASHINGTON WELFARE RECIPIENTS

There was an article in Tuesday's Washington Post announcing that Mayor Walter Washington, under pressure from the National Welfare Rights Organization, obtained pledges of \$200,000 yesterday from several sources to help the city buy furniture for Washington welfare families. This is the organization, as I know you will recall, that threw rocks and destroyed property at the District of Columbia welfare headquarters. The newspaper article goes on to say that it is expected that your department will contribute \$100,000 toward the purchase of furniture for these welfare recipients.

Does this mean that you are according to Washington welfare recipients a special consideration not available elsewhere in the country?

Secretary RICHARDSON. I am not sure to what extent, Senator, whether in other States and localities furniture or installment plan payments for furniture is considered a part of the family budget. I am sure that in some areas it is included. In any case, the question of what is included in the family budget and whether or not it includes furniture in addition to food and so on, is determined by State standards of need, and State determinations of family budgets. Under the existing system, as you know, the Federal obligation is open ended. The State determines what the family gets and the Federal obligation, as an automatic consequence, is a percentage of this. I am not really sure whether this allowance is new, and I cannot tell you at the moment out of what pocket this \$100,000 is coming.

Senator WILLIAMS. Would the Senator yield for a question?

Senator HANSEN. Yes, I will be happy to.

Senator WILLIAMS. Is this the same organization that took over the office of the Secretary of HEW recently?

Senator HANSEN. I think the Secretary is more competent to answer that than I. Do you know, Mr. Secretary?

Secretary RICHARDSON. Yes, it is.

Senator WILLIAMS. Is it the same organization that received a \$438,000 grant from Labor and a \$38,000 grant from HEW? Approximate figures.

Secretary RICHARDSON. It was an affiliated corporation, not the organization itself, that received the grant. That project, whatever it was, has been completed. They are not getting any funds currently.

Senator HANSEN. I was just going to say, yesterday the Washington Post carried a story about the \$200,000 in furniture grants, announcing that—

City officials tentatively plan to limit the special furniture aid to families who turned in NWRO, National Welfare Rights Organization, furniture request forms between June 1 and July 24. That stipulation would, in effect, limit the aid to organized welfare rights constituents who turned in the forms last month in a series of NWRO demonstrations demanding furniture.

Mr. Secretary, I understand HEW is supposed to put up one-half of the funds. That would be \$100,000. How do you justify limiting the expenditure of U.S. funds to members of the one organization rather than the public at large?

Secretary RICHARDSON. I would agree on the face of it, Senator, that if any AFDC recipients are to get the benefits for coverage of furniture they all should get it. The only possible explanation may be that this is simply a way of identifying the families who seek this form of assistance and they have treated this as an application form.

Senator HANSEN. Does this mean that in the future, the way to receive welfare aid paid for partly with U.S. funds is to obtain forms available only through private groups?

Secretary RICHARDSON. I certainly do not think that is a good way of running the system. I cannot really comment, because I do not have enough information about the factors that led to the decision to do this in the District of Columbia. But I certainly do think, and this is one of the reasons why we are advocating the legislation before you now, that we need a much more uniform and consistent set of criteria for eligibility. I also think that we need to get away from the kind of system that calculates an amount payable to a family by items such as furniture. We are trying to move in the direction of determining, a cash benefit related to family income and earnings and not get into this kind of thing.

I think that the District of Columbia situation is an illustration of the degree to which the system lends itself to exploitation by groups such as the NWRO.

Senator HANSEN. You are not implying, are you, Mr. Secretary, that there is anything in the present law which would recognize the exclusive right of an organization such as the National Welfare Rights Organization, to speak for welfare recipients? I mean, are you saying that we must change the law in order to prevent this sort of thing from happening?

Secretary RICHARDSON. I am sure there is nothing in the law that can qualify them as an official spokesman in the sense that a labor union can be a collective-bargaining agent if it is so qualified under the Labor-Management Relations Act. They are, in a sense, self-constituted spokesmen. The recipients or potential recipients they speak for

are in some cases people who want to have them speak for them and in some cases they probably have not said anything about it.

In any case, I take it that what has happened here is that the NWRO took it upon itself to seek out families who would sign a piece of paper saying they wanted help in buying furniture, then turned these in to the welfare system. The welfare system, then, while not acting on these pieces of paper as an official application, nevertheless then used them to determine what families sought this benefit.

Senator WILLIAMS. Would the Senator yield?

Senator HANSEN. Yes.

Senator WILLIAMS. Do they have dues which, in effect, means that anybody that wished to apply would have to pay the dues to the organization in order to submit their application? In other words, buy their membership first?

Secretary RICHARDSON. It is a dues-paying membership organization.

Senator WILLIAMS. And they could only get their application submitted through the organization by paying the dues and becoming a member of it first. Then they can get it approved by HEW, do I understand, by being a member of the organization? Is that not a dangerous precedent to establish by administrative action?

Secretary RICHARDSON. I am not sure that I understand what the administrative action by HEW that you are referring to might mean.

Senator WILLIAMS. Perhaps I misunderstood. I understood your answer to the first question was that these would be recognized based on applications that were filed by this organization on behalf of their membership. If the membership can only—if a citizen or welfare recipient can only become a member by paying these dues and only get the application by being a member, it means that they have to pay out to this organization their membership dues in order to get the application and they must need that in order to get it approved. That is just—

Secretary RICHARDSON. I did not mean to suggest that I thought the—

Senator WILLIAMS. Perhaps I misunderstood.

Secretary RICHARDSON. I did not mean to suggest that I thought the piece of paper had any official standing. But take a simpler situation. A National Welfare Rights Organization worker goes around a neighborhood inquiring into whether families are on AFDC or not. They talk to the mother and find out something about the family's status and they say to her:

You are eligible for AFDC and you are not on the rolls. Come with me and I will take you down to the welfare office.

Now, in that situation the mother applies and she is interviewed by the welfare caseworker and the usual processes of determining eligibility follow and it turns out that she is eligible and she is put on the rolls. Undoubtedly welfare rolls have increased in Washington and elsewhere as a result, in part, of this kind of activity.

In the case of these 1,100 applications, there may have been some dues-paying members. I am told that they do not have as many as 1,100 dues-paying members in Washington, D.C. What they are really doing is rounding up people to show them what they can do for them by submitting these applications for furniture coverage. But the deter-

mination of whether they are eligible, and so on, still has to be and is a responsibility of the Washington, D.C., welfare system.

Senator HANSEN. Well, if I may, Mr. Secretary, let me read once more the story in the Post.

City officials tentatively plan to limit the special furniture aid to families who turned in National Welfare Rights Organization furniture requests between June 1 and July 24.

It would seem to me that this is a decision that has been made by city officials and obviously you cannot make the decision for city officials, but I ask you, do you consider it appropriate to recognize only those request forms that were supplied by the NWRO to its members in participating with the District government in making grants for furniture allotments?

Secretary RICHARDSON. Well, Senator, it may well be true that they are starting out with these payments to the families they know about, who are the families who submitted the forms. I find it hard to believe that it would be contemplated in the future that subsequently applying families would be excluded. In fact, I do not believe it would be legal or constitutional for them to do so.

Senator HANSEN. I would agree with you and I will be very much interested in seeing what the response of HEW is to the action that has been taken by the city.

I might add, parenthetically, that I think a lot of people will be quite disturbed if the Federal Government were to condone a decision which seems patently discriminatory and arbitrary if there are other persons equally destitute, equally in need of furniture, to be denied the same treatment that their neighbors would receive simply on the basis of whether they were a member of the WRO or whether they were not.

Secretary RICHARDSON. With all due respect to the Washington Post, Senator, if I had to choose between the hypothesis that the city has taken that kind of discriminatory action or that the Post is in error, I would choose the second explanation. [Laughter.]

But I will look into it. I will be glad to report back.*

Senator HANSEN. I will not ask you what you mean, Mr. Secretary. I think I may have inferred what you were implying.

DESERTING FATHERS

Mr. Secretary, in an article entitled, "The Crisis in Welfare", that appeared in the magazine, "The Public Interest" 2 years ago, Daniel P. Moynihan writes about our welfare system today. In this article he states that a number of things would be necessary in a total effort to put an end to mass welfare dependency. One of the things he mentions is income supplements such as is contained in the bill before us but he also cites as necessary "a sharp curtailment of the freedom now by and large enjoyed by low-income groups to produce children they cannot support and in the case of family heads, to abandon women and children they are no longer willing to live with."

(Reading:)

While minority group spokesmen are increasingly protesting the oppressive features of the welfare system and liberal scholars are actively developing the

*Secretary Richardson reported back to the Committee concerning the District of Columbia Welfare Department's furniture payments in his statement at the beginning of the afternoon session of this day's hearing. The Secretary's comments begin on p. 703 of this volume.

concept of the constitutional rights of welfare recipients with respect to such matters as man in the house searches, it is nonetheless the fact that the poor of the United States today enjoy a quite unprecedented de facto freedom to abandon their children in the certain knowledge that society will care for them, and what is more, in a State such as New York, to care for them by quite decent standards. Through most of history a man who deserted his family pretty much assured that they would starve or near to it if he was not brought back, and that he would be horsewhipped if he were. Much attention is paid the fact that the number of able-bodied men receiving benefits under the AFDC program is so small. In February 1966, Robert H. Mugge of the Bureau of Family Services of HEW reported that of the 1,081,000 AFDC parents, there were about 56,000 unemployed, but employable fathers. But in addition to the 110,000 incapacitated fathers, there were some 900,000 mothers of whom by far the greatest number had been divorced or deserted by their presumably able-bodied husbands.

Now, a working-class or middle-class American who chooses to leave his family is normally required first to go through elaborate legal proceedings and thereafter to devote much of his income to supporting them. Normally speaking, society gives him nothing. The fathers of AFDC families, however, simply disappear. Only a person invincibly prejudiced on behalf of the poor would deny that there are attractions in such freedom of movement.

How do you feel we can, to use Mr. Moynihan's words "curtail freedom now by and large enjoyed by low-income groups to produce children they cannot support and in the case of family heads, to abandon women and children they are no longer willing to live with"?

Secretary RICHARDSON. Certainly the whole set of problems that are reflected in these statistics is too complex for any combination of actions taken through any form of family assistance or public welfare alone to overcome. We think that, in the light of our available knowledge and resourcefulness, we have put together a combination of things that will at least help to ameliorate the problem.

In the first place, of course, there is family planning itself and there have been some rather striking indications of the effectiveness of this. On the face of it, they cannot be considered conclusive. But, for example, it is reported in the report on services to AFDC families that I cited earlier, that this program does appear to have a significant impact. Quoting from the report:

One of the largest States reported that the number of children born during the mother's receipt of AFDC, the rate of newborn children per 1,000 AFDC cases dropped from 127.1 in 1965 to 119.4 in 1969. The number of children per AFDC family in the State decreased by 8 percent. In one of the Nation's largest metropolitan communities, another substantial decline was reported. From a peak of 173 births per 100,000 public assistance cases in 1964, the rate dropped by more than one-third, to 115 per 100,000 in 1969.

It points out, of course, that many factors may account for such trends. But increasing knowledge and availability of community family planning services may well be involved.

You next should add to the availability and expansion of family planning services the kind of followup of deserting fathers which the chairman has raised as a very central concern of his, which is dealt with in this legislation, primarily through devices to locate and withhold funds from deserting fathers. When you add these elements of the plan, which at least move in the direction of reducing the incentive for desertion itself. I think we are moving in the right direction.

I suppose that the ultimate answers really transcend anything you can do with a Government program alone. But without prolonging

the answer, I would simply say that here, as in many other places in the course of the discussion we have had with this committee, we come before you with answers which we think do move in the right direction. We would like to continue to work with you toward better answers if we can find them in the course of the committee's consideration of the bill.

Senator HANSEN. There has been some desire on the part of some of the county attorneys in Wyoming to retrieve deserting fathers, those who cross State lines, to bring them back, to extradite them, and to bring action against them in the case of family desertion. We have run into some difficulties as you might suspect, from time to time.

What would be the attitude of your Department in trying not only to encourage the stability of families through the economic incentives which seem to highlight this bill but as well to take the other step, to proceed down the second pathway of taking action against people who desert their families and do so with wanton disregard for their welfare?

Secretary RICHARDSON. We would support legislation which made it a Federal crime to cross State lines for the purpose of evading parental responsibility. The only real problems that arise here, and I cannot speak to these, involve the responsibility that would thereby be put on the Justice Department and U.S. Attorney's offices.

Generally speaking, Federal law enforcement officials, I think, have felt that this ought to be a State responsibility. This system is, in effect, an interstate compact designed to enable the States to work together and to trace and get money payments from fathers. From the standpoint of our Department, to make this a Federal crime would help to reduce the problem, we think, and to that extent we would be for it.

Senator HANSEN. I have several more questions, Mr. Secretary, but I realize I have taken more than my share of the time.

If I may, just let me conclude by asking or by stating—by making a statement that does include several questions, but I think they are so closely related that I am certain you will have no difficulty in commenting upon the thrust of these questions despite my desire to read them all at one time.

WORK REQUIREMENT FOR MOTHERS

Yesterday the distinguished Senator from Oklahoma, Mr. Harris, raised a number of questions concerning the attitude of society toward a mother's duties to her children where a working father is present, but what about female-headed families? Should their responsibilities to their children, that is, being in the home, be subordinated to their duty under the bill to enroll in a training program or take a job?

What about the attitudes of children? Should there not be demonstrated the continuing importance of work? I think Senator Harris made some observations yesterday that indicated that in New Jersey there was evidently no diminution in incentive when welfare assistance was abundantly in evidence.

Secretary RICHARDSON. Well, I think, Senator—

Senator HARRIS. Could I just add, Mr. Secretary and Mr. Chairman, first of all, the operative word yesterday was "required" and

I think the Secretary would agree that up to now our experience has been that there have been more people volunteering under the WIN program than we could provide day care or training or job slots for, and evidence is that the same will be true in the future without the stigma and coercion of work, involuntary servitude in effect, which is involved in this bill for mothers of school-age children.

Second, not only I but Secretary Richardson testified yesterday that the New Jersey experiment demonstrates, just what I think we all say, that the present system destroys incentive and initiative. But if the people have an opportunity for a decent standard of living for the first time, decent health, decent housing, enough to eat, clothes for the kids so they can go to school, rather than destroy the work ethic and individual initiative, indications are from the New Jersey experiment and other examples that it enhances them and that people just like all the rest of us in this room as we said yesterday, want to do a little better. That, I think, is a better paraphrasing of what we said yesterday than what Senator Hansen has just said, though it is generally in the same direction.

Senator HANSEN. If I may, insisting on having the last word, Mr. Secretary—

Senator HARRIS. I come after you do. When you get through—

Senator HANSEN. I am quite well aware of that. I just wanted to say this for what Senator Harris has just characterized as "involuntary servitude" is something that I suspect he might say would apply to some 10 million people representing fewer than that number of families on welfare or receiving some welfare assistance. My observation is this. What 10 million Americans including all children would regard as involuntary servitude by some, I should think, is something that the other 190 million Americans quite readily accept as a responsibility that they believe is theirs to accept the duties of citizenship, the duties of parenthood, the time-old responsibility of taking care of one's family, and I just do not want to leave you with the responsibility, Mr. Secretary, of having to respond to a characterization of a program that I think is unfair.

I do not believe at all that to expect able-bodied people to have to work in order to help take care of their families is a result of the application of the power of a despotic government upon citizens that violate their constitutional rights or anything else.

Now, the distinguished Senator from Oklahoma has not said all of this. [Laughter.]

This is what I am saying. I am offended that he would imply that if you are to receive some help from welfare and to be asked, if you are able bodied, to do some work at the same time that you are pressed into service. I do not believe that.

Senator HARRIS. Mr. Chairman, Senator Hansen decided to debate me rather than ask Mr. Richardson a question. I would like to just respond.

I think the operative word in what he said is "ask." He said he does not think there is anything wrong in asking people to work. I do not, either. And I think what we are talking about here are mothers of school-age children. I think that we are going to all go home, as we did a year or so ago, and say to our constituents, well,

we certainly straightened out those welfare mothers. We put them all to work and got them off welfare.

Well, that is not going to be the effect of this because first of all, where is the work? Where are the training slots? Where are the day-care slots that will provide help for those who volunteer? These things are really not provided for in the family assistance plan and I think we ought to recognize that without going all around the country making pious statements about how we are putting everybody to work here and we are going to stop this welfare business.

The truth is, Mr. Chairman, as we have just said a while ago and as Secretary Finch earlier testified, these mothers under the present program have volunteered in more numbers than we were able to take care of them and that is what I want the record to show. I do not think we ought to stigmatize them by saying that somehow they are different from the rest of us, they do not want to do better, they do not want to have a better life for their children, they do not want to work if the Federal Government will give them a better life for their children, when as a matter of fact, they do. They are like the rest of us.

Could you respond to that?

Senator HANSEN. Mr. Secretary, if I may, I believe I still have the floor. I will be happy to yield it in a moment. I do not propose to debate with the distinguished and articulate Senator from Oklahoma. I am aware of his ability which has been recognized by his party and by the people of the State of Oklahoma.

I did want to say that I asked you a question and I would hope that in time, when the Senator from Oklahoma—my very good friend—and I have gotten through with this, gotten through with this colloquy, you may yet have a chance to express your opinion upon the matter.

Let me say this, though, that I do not believe that we are talking about trying to force people either to go to work where there are no jobs or go hungry. That is not the situation. I do not think it is your intention. It certainly is not mine and I doubt that it is the intention of the Senator from Oklahoma.

Rather, I think the question is if we are concerned about moving people off the welfare, I believe that there is still something good to be said in the kind of example that is set in the home. I have known a lot of women that were heading up their families. Some were widows. Others had been deserted by a father or perhaps they were heading a family because of the failure of the father to be able to work, so that with respect to his abilities, he could not make any contribution, and indeed became dependent upon his wife for help. And I guess I am old-fashioned but, you know, I think a lot of those youngsters who have grown up in families like that, and I know several in Wyoming, have turned out to be pretty good citizens because they had to take on some responsibilities, too.

Their mothers working part time or quite a bit of the time who had to assign children duties. I do not really believe that hurts anybody. I do not think that it hurts youngsters to do the sort of work they are capable of doing, despite the fact that we have some laws on the books in this country that harken back to a number of years ago, many years ago when we did have child labor and there were some very

bad abuses of very young people having jobs. But that is no longer the situation here and I happen to think, and I hope you share my opinion, that it would be worthwhile for all young people who are members of families where parents, either one or both, are able bodied, to see the daily example of their doing something and to know that we are going to get along better in this life and in this country of ours if we willingly assume a responsibility and make a contribution, instead of being inclined to believe, as we may well do, that all we have to do in order to get along in this country is to exist and that somebody else is going to work sufficiently harder to take care not only of themselves but of those of us who may by one reason or another choose not to work.

I yield the floor.

Senator HARRIS. Thank you.

Secretary RICHARDSON. I think this has been a significant exchange insofar as it identifies one of the very real problems that we have to face in deciding the future direction of our family assistance and income maintenance programs.

I have really two comments. One is that I agree with Senator Harris, and I take it you would agree with him too, Senator Hansen, that most family heads, given a chance to work for a decent wage to support their children, would seek that opportunity rather than to accept public support. I think this is a rather basic fact which tends to be borne out by the AFDC caseload statistics themselves.

We have had a good deal of discussion here before this committee which has tended to create the impression that we looked at AFDC mothers or, where they are covered, AFDC fathers, as deadbeats who really would prefer to live off the public trough than support themselves through their own exertions. There are undoubtedly people like that on the rolls, but if you consider, for example, the fact that for fiscal 1971 the closings of the AFDC caseload represented 42 percent of the total and then look at why this 42 percent or 800,000 families went off the rolls, it turns out that in 35 percent of all these cases it was due to work or because their earnings increased to the point where they were no longer eligible for AFDC. This was true then of something like 280,000 families.

Of the people who came on, 53 percent was because of decreased earnings or a loss of support. When you couple this with the indications that Senator Harris also cited of the interest of mothers in obtaining training opportunities and taking advantage of day-care facilities for their children so they could undergo training or take work, you have further evidence that in most instances if training opportunities and day-care facilities are provided, and if the jobs exist, most of the family heads in these circumstances will take advantage of these opportunities.

That leaves, then, a small remaining proportion. The real issue then is how do we treat that remaining number, and the difference, I take it, between you is that Senator Harris would say that that group should be freely able to choose whether or not to take advantage of the day-care, training, and job opportunities, and you say and the administration bill says no, that remaining number should be subject to a loss of benefits under this publicly supported program if they refuse to take advantage of these opportunities. And we would say

that such a sanction is justified by the fact that this is a publicly supported program, and for all the other reasons you have cited, Senator Hansen. With respect to feelings about work on the part of our society as a whole, feelings that we believe a family head should have in terms of responsibility for the support of his or her own children, and the attitudes which you identified with respect to the children themselves—the atmosphere in which they grow up—it is not unreasonable where public dollars are concerned to make work a requirement for eligibility at least, for that member of the family.

We have not taken, and I do not see how we could take the additional step of cutting aid to children because the family head refused to work. But I think it is fair to say where the majority would want to work anyway, that the minority that does not, should have to choose either to take the job or suffer the loss of benefits that would follow from refusing it.

Senator ANDERSON. Mr. Secretary, since you have had the last word, we are going to meet again at 2 o'clock.

Senator BYRD. Mr. Chairman, could I take about 4 or 5 minutes?

Senator ANDERSON. Yes.

Senator HARRIS. First, could I just respond briefly on this very subject, if I might. I think the real question has been stated by the Secretary, except for that minority who might not otherwise volunteer to go to work. Until such time as we can provide sufficient day-care slots, sufficient training, sufficient jobs, for all those who volunteer and all those who are required to work, mothers of young school-age children should not be at this time required to work. I do not believe we are ready to make the judgment that society wants that mother to be required to work.

With that one amendment I think what the Secretary said is pretty much a statement of my position.

Senator ANDERSON. Senator Byrd, we plan to resume again at 2 o'clock. Would you desire to be heard now?

Senator BYRD. Well, will it be on the same subject at 2 o'clock?

Senator ANDERSON. Yes.

Senator MILLER. I have a couple of questions, too, on the same subject.

Senator BYRD. Which would the Chairman prefer? I would take about 5 or 6 minutes.

Senator MILLER. And I would take about 5 or 6 minutes.

Secretary RICHARDSON. I could stay depending on the Chairman's wishes.

Senator ANDERSON. Well, Senator Byrd.

PROJECTED NUMBER OF WELFARE RECIPIENTS

Senator BYRD. Thank you, Mr. Chairman. I call the attention of the committee and the witnesses to the table on page 35. I will call attention of the committee and the witnesses to the tables published on page 24 and on page 35 of the administration's revised family assistance plan submitted to the Finance Committee last month. This table clearly indicates that the number of projected recipients of welfare would be about 24 million if the administration's program is approved.

I was astonished yesterday when Secretary Richardson stated:

The 24 million figure never has been anything more than an estimate of the maximum eligible, not an estimate of the number likely to be on the rolls.

I ask unanimous consent that there be published at this point in the record the table on page 24 and the table on page 35 of the administration's revised family assistance plan which was submitted to the Finance Committee last month.

Senator ANDERSON. Without objection, that will be done.

(The tables referred to follow:)

TABLE 4-A. COMPARISON OF PROJECTED FEDERAL COSTS OF MAINTENANCE PAYMENTS UNDER THE FAMILY ASSISTANCE PLAN AND CURRENT LAW, 1971-76

(In billions of dollars)

	1971	1972	1973	1974	1975	1976
Under family assistance plan:						
Payments to families ¹	\$4.2	\$4.1	\$4.0	\$4.0	\$3.9	\$3.8
Payments to States under pt. E.....	.8	.9	1.0	1.1	1.2	1.3
Federal share of adult categories.....	2.8	3.0	3.2	3.3	3.5	3.7
Total	7.8	8.0	8.2	8.4	8.6	8.8
Under current law:						
Federal share of AFDC.....	2.8	3.2	3.7	4.2	4.8	5.4
Federal share of adult categories.....	2.2	2.4	2.6	2.7	2.8	3.0
Total	5.0	5.6	6.3	6.9	7.6	8.0

¹ Gross FAP payments as estimated from an analysis of the current population survey. Adjustments have been made to reflect a higher unemployment rate and the inclusion of Puerto Rican families in the program.

Note: Except for payments to families under the family assistance plan (which are estimated using the methodology described in the text) the projections assume a continuation of recent trends. Especially in the case of AFDC, these trends are not likely to continue indefinitely into the future. However, there is no present indication of when the growth rate can be expected to slow down. Estimates for 1971 are based on the latest estimates from the States.

TABLE 4-B.—COMPARISON OF PROJECTED RECIPIENTS UNDER THE FAMILY ASSISTANCE PLAN AND CURRENT LAW, 1971-1976

(In millions)

	1971	1972	1973	1974	1975	1976
Under family assistance plan:						
Persons in families receiving FAP only.....	13.1	12.7	12.3	11.9	11.5	11.0
Persons in families receiving FAP and State supplemental..	7.5	8.4	9.4	10.6	11.9	13.4
Adult category recipients.....	3.2	3.3	3.5	3.6	3.8	3.9
Total	23.8	24.4	25.2	26.1	27.2	28.3
Under current law:						
AFDC recipients.....	8.5	9.6	10.8	12.1	13.6	15.3
Adult category recipients.....	3.1	3.2	3.4	3.5	3.7	3.8
Total	11.6	12.8	14.2	15.6	17.3	19.1

Note: See notes for table 4-A.

TABLE 19.—1971 ESTIMATED RECIPIENTS UNDER H.R. 16311 AS AMENDED,
JUNE 1970 BY PROGRAM AND STATE

[In thousands]

	Adult programs	Number of individuals receiving State supplements	FAP only	Total
Total	3,226.9	7,461.4	13,096.0	23,784.3
Alabama.....	141.3		524.5	665.8
Alaska.....	2.6	8.2	14.3	25.1
Arizona.....	22.1	63.1	119.4	204.6
Arkansas.....	94.5		275.2	369.7
California.....	521.8	1,125.7	675.9	2,323.4
Colorado.....	43.3	37.3	287.4	368.0
Connecticut.....	16.2	130.0	41.7	187.9
Delaware.....	4.2	14.7	36.1	55.0
District of Columbia.....	10.1	50.8	5.0	65.9
Florida.....	92.2	110.7	480.7	683.6
Georgia.....	156.5		869.0	1,025.5
Hawaii.....	4.9	34.8	23.0	62.7
Idaho.....	7.0	18.7	28.7	54.4
Illinois.....	80.5	486.8	239.0	806.3
Indiana.....	26.0	643.1	207.8	876.9
Iowa.....	30.3	82.1	123.3	235.7
Kansas.....	20.9	74.5	63.2	158.6
Kentucky.....	97.0	164.7	261.8	523.5
Louisiana.....	148.9		785.3	934.2
Maine.....	16.0	32.0	97.4	145.4
Maryland.....	31.8	144.0	87.0	262.8
Massachusetts.....	76.2	302.2	60.1	438.5
Michigan.....	70.2	351.9	224.3	646.4
Minnesota.....	21.2	124.5	174.6	320.3
Mississippi.....	110.4		696.2	806.6
Missouri.....	113.0		330.1	443.1
Montana.....	6.3	17.2	28.7	52.2
Nebraska.....	12.6	29.6	125.5	167.7
Nevada.....	8.2	7.5	21.3	37.0
New Hampshire.....	5.8	15.6	18.4	39.8
New Jersey.....	36.4	365.0	107.4	508.8
New Mexico.....	20.2	75.3	98.9	194.4
New York.....	156.6	1,366.3	456.4	1,979.3
North Carolina.....	83.0	123.0	754.6	960.6
North Dakota.....	6.2	14.1	76.6	96.9
Ohio.....	92.1	360.6	347.1	799.8
Oklahoma.....	104.7	120.2	141.3	366.2
Oregon.....	16.2	66.1	61.2	143.5
Pennsylvania.....	88.6	91.9	454.3	634.8
Rhode Island.....	7.7	56.9	2.6	67.2
South Carolina.....	37.4		453.4	490.8
South Dakota.....	6.2	21.5	79.7	107.4
Tennessee.....	107.8		634.0	741.8
Texas.....	285.5	216.1	1,019.9	1,521.5
Utah.....	11.4	20.4	23.3	55.1
Vermont.....	7.1	20.6	19.1	46.8
Virginia.....	22.8	142.6	265.9	431.3
Washington.....	40.6	153.7	118.0	312.3
West Virginia.....	20.4	63.5	191.4	275.3
Wisconsin.....	29.9	105.0	103.5	238.4
Wyoming.....	2.9	5.6	11.5	20.0
Guam.....	.4	2.5	.5	3.4
Puerto Rico.....	50.0		750.0	800.0
Virgin Islands.....	.8	.8	.5	2.1

Senator BYRD. Now, Mr. Chairman, I call attention, too, that in looking through this revised plan, that there are various tables, that some tables are listed "eligible," and other tables are listed recipients." I think that is an important matter for the committee to be aware of because the report clearly shows what are considered to be eligible and what are considered to be recipients.

Now, on page 449 of the transcript of the hearings before the Committee on Finance of Tuesday, July 21, Mr. Veneman was being queried by the chairman of the committee, I believe, Mr. Long, and at one point in the record he made a statement on page 449. Mr. Veneman said this:

The committee print on the State of Indiana, I got as far as your second paragraph and found an error. There was a decimal point in the wrong place under the non-work families that would be receiving State supplements. So that in your release—

Speaking of the chairman—

your opening statement, the number of persons on welfare, the increase in the State of Indiana would not be nine times, it would be three times.

This, again, I point out that the Under Secretary, Mr. Veneman, stated on page 449 on July 21, before this committee the number of persons on welfare in the State of Indiana would be three times the number at the present time. I point that out to show that the Under Secretary took that in the same way that the committee has understood it for more than 3 months now. This bill has been before the Congress for 6 months, approximately, before the House, and now before the Senate committee, and it was not until yesterday that anyone indicated that these figures were not the figures that the committee should be considering.

So, I wanted to put that into the record, just what Mr. Veneman said, and I say again that is on page 449.

Now, on page 254 of the committee hearings dated April 29, April 30 and May 1, Mr. Finch was then Secretary of Health, Education, and Welfare. Senator Byrd of Virginia queried Mr. Finch and I read from the committee hearings, page 254:

Senator BYRD. I am correct, am I not, that you have at the present time ten million persons on the welfare rolls?

Secretary FINCH. Yes, sir.

Senator BYRD. If this legislation is enacted, you will have 24 million persons on the welfare rolls.

Secretary FINCH. That is approximately correct.

So, I say again, all through these hearings it has been clear that these tables submitted by the administration itself, submitted by the Department of Health, Education, and Welfare, have been clearly labeled and clearly understood to be the projected number of recipients who would be on the public rolls if this legislation is enacted.

I say again, I am not expressing any criticism of the legislation. I want to find a way to be helpful to the working poor but I am interested in the facts. I want to know what it is going to cost. We are not spending our own money. The Secretary of Health, Education, and Welfare is not spending his own money. We in the Congress are not spending our own money. We are spending the taxpayer's money and I want to find out what it is going to cost and I feel that I have a right to rely on these figures and all through these hearings it has been

made clear, certainly been made clear to me and apparently made clear to many others including Secretary Veneman, that these figures submitted by the Department of Health, Education, and Welfare represent the best estimates of the number of recipients who will be on the welfare rolls or under the public assistance program if the administration's plan is enacted.

I just wanted the record to show that because of the controversy which we had before the committee yesterday.

Secretary RICHARDSON. Mr. Chairman, I have not been asked a question but I would like the Chair's permission to make a comment.

Senator ANDERSON. Surely.

Secretary RICHARDSON. I thought we covered that fairly well yesterday, Senator Byrd. This matter, I think, has been somewhat overblown in relative importance.

Senator BYRD. It has not been overblown to my mind.

Secretary RICHARDSON. Let me restate the situation beginning with the tables to which you refer. It is true that they sometimes refer to recipients and they sometimes refer to eligible families. But all of that should be read in the light of the statement I quoted from yesterday on page 22 of the committee print preceding all the tables which says, and I read it again :

Because of the importance of the welfare reform proposals and the uncertainties involved in estimating costs of any new program, a cautious and conservative approach has been adopted. For example, the cost estimates for the family assistance plan assumed that all eligible families participate to the fullest extent of their eligibility.

That means, therefore, that for the purposes of these tables, the terms "eligibility" and "recipient" can be considered to be interchangeable.

The point I was making yesterday that triggered all this discussion, was simply that strictly speaking, the tables that are used in the blue committee print showing the increases in numbers of recipients used noncomparable figures to the extent that the base figure for the current situation is drawn not from the number eligible but from the number actually on the rolls, while the projection figure derives from the number eligible.

Now, I said in effect that the ratio of increase would not be as high as shown on the tables because it could be anticipated that something less than all the number eligible would actually be on the rolls. I think this is a fair statement. It remains true that for purposes of calculating likely future costs, the number eligible is a better, more cautious and conservative, figure to use because we have no adequate basis for discounting it. And so we stand on it.

As for Under Secretary Veneman's comments, all he was saying was that using the committee's own assumptions that entered into the blue committee print, there was an error resulting from a misplaced decimal point. He was not endorsing the tables as such and I think Senator Byrd will find that the record will show that on that same date I made the same point which we were discussing yesterday, namely, that there was a ratio derived from using figures that were not strictly comparable. I think this is really all there is to be said.

We do not propose to substitute any new figures for these eligibility figures. I only have tried to make the point yesterday for what it is worth; that the likely increase in the rolls in these States will

not be as high as the blue committee print tables show. From there I think having said this, I hope we can go on to the merits of the issues involved.

Senator ANDERSON. Senator Byrd?

Senator BYRD. Yes, Mr. Chairman.

I will close this dialog with quoting again from page 254 of the committee hearings of April 29, 30, and May 1.

Senator BYRD (addressing Secretary Finch). I am correct, am I not, that you have at the present time ten million persons on the welfare rolls.

Secretary FINCH. Yes, sir.

Senator BYRD. And if this legislation is enacted, you will have 24 million persons on the welfare rolls.

Secretary FINCH. That is approximately correct.

Mr. Chairman, I have no further questions.

Senator ANDERSON. Senator Miller.

WELFARE OVERPAYMENTS

Senator MILLER. Mr. Secretary, you may not have this information and if you do not I would appreciate it if you would provide it for the record. This gets into the area, one of the areas, Senator Hansen was covering. Would your Department be able to furnish us for the record, let us say, for the years 1969, 1968, 1967, and 1966 by year, these figures. First, in all cases. I would like to know how much in overpayments under welfare has been made. I also would like to know how much was received back. And then, of course, that would give us the net that was never received back from overpayments. And also the number of individuals involved.

Then additionally, I would like to have broken out from those totals what we might call the fraud or suspected fraud cases and under that, how much in overpayments were involved, and the number of cases referred to the Department of Justice for prosecution.

Senator ANDERSON. I think we will have to give the Secretary some time on that.

Senator MILLER. Yes. Now, you can get us that information; can you not?

Secretary RICHARDSON. I am afraid I will have to say this, Senator Miller. The word "overpayments" will turn out, I am sure, not to be self-explanatory in its application to this situation. For what tends to happen is this: the Federal Government sends auditors into the States to audit the public welfare program, check on the files and the methods of determination of eligibility, and so on.

They cannot look at every single file, obviously, but they look at the ways in which the State determines eligibility, and so on, and calculate the benefit payments per month, and this produces what they call exceptions, or things that they think are out of line.

Now, the total dollar amounts that are involved are derived by a projection for the whole caseload of the findings of the samples checked. This means, therefore, that you cannot conceivably identify the individuals, in the first place. And therefore you cannot go after them for any money.

In the second place, a lot of these exceptions are things which you really cannot charge the individual with anyway. The State may have interpreted the Federal law in a manner inconsistent with the HEW

interpretation of it. The question then becomes what is done about it in terms of a recovery as against the State's overall payment.

I go into this only to say that the question of what is an overpayment as distinguished from what is a technically erroneous payment is going to turn out to be somewhat confusing.

Senator MILLER. Well, I appreciate that and if you can provide appropriate explanatory notes to this information, I think that would be quite sufficient.

Secretary RICHARDSON. We will be glad to do that.

(The Department subsequently supplied the following information:)

For the years 1966 through 1969: Number and amounts of overpayments under welfare, amounts recovered, including fraud and suspected fraud cases, in addition, referral of cases for prosecution for fraud.

Estimated number of cases and amounts of overpayments and underpayments¹ to public assistance recipients and payments to ineligible persons, 1966 through 1969.

The following national estimates of the amounts of overpayments and underpayments and the numbers of AFDC and adult assistance cases involved in such payments and payments to ineligible persons are based upon the results of quality control testing, which has been carried out in all public assistance programs beginning in 1964. The data were derived from samples of case actions examined in each of the State public assistance programs and are subject to the normal ranges for sampling error of quality control programs.²

In general, overpayments to cases occur in about 11 percent of total cases in both Aid to Families with Dependent Children and the adult programs. The amount of such payments in the sample month of October 1969 equalled \$3.5 million and \$3.3 million, respectively. Underpayments occurred in about 10 percent of the AFDC cases and 8 percent of the adult cases. These amounted to \$2.0 million and \$1.7 million, respectively. Data on the number of cases and amounts of payments for 1966 through 1969 are shown on the attached table A.

Payments to ineligible cases occurred in approximately 2.0 percent of the cases paid in October 1969. This rate of payment to ineligible persons has remained stable over the entire four year period for the AFDC and adult programs, as shown in table B.

The statistical method for computing the percent of over and underpayments, payments to ineligible persons, and to cases suspected of fraud, (covered in a separate section of this submittal) does not allow for tracing ineligible and incorrectly paid cases to the fraud category. Thus, it is necessary to use caution when adding case totals because each class of case may already contain some cases included in another.

¹ Overpayments and underpayments include cases in which payments of \$1.00 or more in excess of or less than entitlement amount. Cases found to be ineligible are ineligible for the period examined.

² Sampling of cases was from one or more lots of cases processed during a given period in each State. The findings from examination of such cases are applied to the national caseload in the same proportion as the sample lots bear to the universe of case actions for the country as a whole.

TABLE A.—NUMBER OF PUBLIC ASSISTANCE CASES RECEIVING OVERPAYMENTS AND UNDERPAYMENTS AND AMOUNTS OF SUCH PAYMENTS, 1966-69¹

Program and year	Overpayments		Underpayments	
	Number of cases	Amount of payments (monthly)	Number of cases	Amount of payments (monthly)
AFDC:				
1969.....	166,000	\$3,475,000	143,000	\$1,957,000
1968.....	131,000	2,666,000	141,000	1,937,000
1967.....	116,000	2,076,000	135,000	1,736,000
1966.....	114,000	2,064,000	146,000	1,828,000
Adult program:				
1969.....	308,000	3,289,000	232,000	1,709,000
1968.....	282,000	2,946,000	254,000	1,799,000
1967.....	264,000	2,700,000	259,000	1,912,000
1966.....	277,000	2,723,000	269,000	1,837,000

¹ Monthly amount shown in October of each year.

Source: National Center for Social Statistics, SRS.

TABLE B.—NUMBER OF PAYMENTS TO INELIGIBLE PERSONS AND AMOUNT OF SUCH PAYMENTS 1966-69,¹ AID TO FAMILIES WITH DEPENDENT CHILDREN

	Recipient caseload		Ineligible cases		
	Cases ²	Payments	Percent	Number	Cost per month
1969.....	1,471,000	\$247,240,000	1.9	27,900	\$4,696,000
1968.....	1,258,000	201,860,000	1.6	20,100	3,231,000
1967.....	1,097,000	161,265,000	1.9	20,800	3,065,000
1966.....	1,028,000	139,156,000	2.1	21,600	2,922,000
ADULT PROGRAMS					
1969.....	2,798,000	\$203,419,000	2.0	56,000	\$4,068,000
1968.....	2,789,000	201,815,000	1.7	47,400	3,428,000
1967.....	2,757,000	190,254,000	1.7	46,900	3,236,000
1966.....	2,714,000	172,650,000	1.8	48,800	3,109,000

¹ Month of October.

² Families.

Source: National Center for Social Statistics, SRS.

RECOVERY OF OVERPAYMENTS FROM PUBLIC ASSISTANCE RECIPIENTS

Data with respect to repayment of overpayments are not uniformly kept or available on a national basis which could provide a sound basis for estimating the extent of recoveries from public assistance recipients who have been overpaid or who received payments fraudulently. Select data are available from some State programs which suggest that significant amounts are recovered from recipients. For example: In 1968 in Arkansas, \$23,615 was recovered from 102 recipients; Michigan, \$26,006 from 185 recipients; and New Mexico, \$9,943 from 184 recipients. In this period from April 1967 through March 1970, New York State recovered \$12.6 million in overpayments. Identification of the amount recovered from fraud cases is available at the present only from Louisiana. The following amounts were recovered in Louisiana, in 1966, \$16,780; 1967, \$25,879; 1968, \$25,878; and 1969, \$33,776.

Other data indicate that further study would probably reveal similar patterns of recovery throughout the other State programs of public assistance.

DISPOSITION OF CASES SUSPECTED OF FRAUD—FISCAL YEAR 1969

SUMMARY OF STATISTICAL DATA

1. A total of 33,700 cases identified by State and local public assistance agencies as involving a question of recipient fraud were disposed of by administrative action during fiscal year 1969. This number represents a decrease of 2,200 cases from 1968¹—about 6 percent and a drop of a fifth from the number five years ago, fiscal year 1964.

2. The cases identified and disposed of in 1969 represent less than one percent of the average monthly caseload for all the Federally-aided public assistance programs combined²; less than five-tenths (.5) of one percent of the average monthly caseload for the adult programs; and less than 2 percent in the program of AFDC.

3. In more than one-half (53.3 percent) of the cases disposed of, sufficient facts to support a question of fraud were not available. For the adult programs combined, facts sufficient to support a question of fraud were at hand for almost half the cases (49 percent); in the AFDC program, the proportion was a little lower—46 percent. On the other hand, among the cases disposed of by legal action a larger proportion of the AFDC cases were prosecuted 43 percent; compared with 31 percent in the adult programs.

4. Of the 15,700 cases in which the facts known to the agency supported a question of fraud, 7,400 (47 percent) were referred to law officials for action. It should be noted that State agencies generally do not refer cases if: 1) the amounts of money involved are small; 2) voluntary reimbursement or payment plans are worked out; 3) the recipient has mental or physical limitations; 4) special hardship exists or 5) other factors make such referrals infeasible. On the other hand, two States, California and Maryland, require that all cases of suspected fraud be referred to law enforcement officials. Excluding data from these two States, the proportion of cases referred to law enforcement officials comprised only a little more than one-fourth (26 percent) of all cases in which the facts were sufficient to support a question of recipient fraud.

5. Approximately 6,700 cases were disposed of by law enforcement officials during 1969 including cases referred both during the year and prior to the beginning of the fiscal year. Of these cases, 2,700 or about two-fifths were prosecuted, with three States (California, Maryland, and Pennsylvania) accounting for over 70 percent of the prosecutions. Of the 3,900 cases disposed of without prosecution, the reasons for not prosecuting were similar to those enumerated in item 4 above as reasons why agencies do not refer certain cases to law enforcement officials.

CASES OF SUSPECTED FRAUD

State assistance payments agencies report annually on the total number of cases in which there has been administrative or legal action involving questions of fraud up to the stage of prosecution. Information on convictions as a result of actions by State or local courts, if the case comes to trial, is not available.

Attached is (1) "Summary of Statistical Data for fiscal year 1969" with a footnote reference to incomplete data for 1968, and (2) a published report *Developments in Dealing With Questions of Recipient Fraud in Public Assistance, 1951-1967*, with the summary of statistical data for fiscal year 1966-67 on pp. 37-38.

Overpayment and recovery information related to the cases in which there is a question of fraud is too fragmentary to refer either to amounts of money or periods of time involved.

Senator MILLER. Now, I would like to ask the chairman if he would be good enough to direct the staff to obtain from the Department of Justice the disposition of these cases that have been referred for criminal prosecution by these years. We ought to be able to receive

¹ For 1968, reports were not received from Delaware, Department of Public Welfare and Commission for the Blind, Florida, Guam, Kentucky, Maine, Massachusetts Department of Public Welfare, Missouri, Rhode Island and South Dakota. Excluding data from these States for 1969, the change in the number of cases involving a question of recipient fraud disposed of is 4,100 or a decrease of 11 percent in 1969 over 1968.

² Old-age assistance, aid to the blind, aid to the permanently and totally disabled and aid to families with dependent children.

from the Department the number of cases each year referred to the Department of Justice for criminal prosecutions, and then we should be able to obtain from the Department the disposition by year of those cases, convictions or nolo contendere, or dismissed, and the penalties in the case of those that were convicted.

I suspect it will be very small and so, therefore, I do not think it will be difficult to obtain that and I would ask the Chair to direct the staff to obtain that information from the Department so we will have a complete picture.

Senator ANDERSON. I will suggest it to the chairman.

Secretary RICHARDSON. May I add, too, Senator Miller, in most cases the obvious violation of law is a violation of State law and most prosecutions will have been under State law. We do not have complete information as to State prosecutions and we would be glad to add that to our submission in response to your request.

Senator MILLER. I appreciate that, too.

Senator ANDERSON. I will suggest it to the chairman of the full committee. I think it is a good question.*

Thank you all very much.

Two o'clock.

(Whereupon, at 12:30 o'clock p.m., the hearing was recessed, to reconvene at 2 p.m., this day.)

AFTERNOON SESSION

Senator ANDERSON. We will continue with Secretary Richardson again.

Senator WILLIAMS. Mr. Secretary, I have a few questions here about the social services part of the bill and I think other members have some questions that will be more in line and if they get here I will withhold.

D.C. FURNITURE PAYMENTS

Secretary RICHARDSON. Mr. Chairman, Senator Williams, before we proceed to the questions on social services, I want simply to ask permission of the committee to submit for the record at this point a brief statement on furniture payments in the District of Columbia. It is about a paragraph in length and with your permission I will read it—

Senator WILLIAMS. Sure.

Secretary RICHARDSON (continuing). Because it responds to questions that were raised this morning.

The District of Columbia has not submitted any formal plan material on this subject to the Department of Health, Education, and Welfare. It expects to submit such material on Friday, July 31, 1970. That is tomorrow. A number of telephone conversations have been made between District of Columbia officials and representatives of the DHEW regional office in Philadelphia in which various problems have been discussed. Material along the lines described in the Washington Post would raise a number of serious questions—for example, retroactive payments and unauthorized vouchers restricted to members of one organization.

*See app. F, p. 1287.

District of Columbia officials are presumably aware of these problems and may well take them into account in the plan material they are submitting. At this time no commitment of any type has been made by the Department of Health, Education, and Welfare.

Senator ANDERSON. I think that is a useful statement.

CHILD CARE FACILITIES

Senator WILLIAMS. Mr. Secretary, these points are for clarification. Perhaps you can answer them now or you may submit them.

In reading the bill I noticed that under section 436 of the bill, and revised bill, you would pay the full cost of alteration, remodeling or renovation of child-care facilities.

Now, then, a new section, section 2012, paragraph 1(b)(i), on page 126 of the revised bill permits you to pay 75 percent of the cost of renovation, remodeling or alteration of child-care facilities. Now, I am wondering which of those would take priority or should they be adjusted to coincide?

Secretary RICHARDSON. I am sorry, Senator; I have not found the reference.

Senator WILLIAMS. I will repeat it. On page 57 of the revised bill, section 436, it states that you would pay the full cost of alteration, remodeling or renovation of child-care facilities.

Now, in the revised bill, you have added a new section, 2012, paragraph 1(b)(i), on page 126, which permits you to pay 75 percent of the cost of renovation, remodeling or alteration of child-care facilities. I am wondering if there isn't a contradiction there or perhaps it needs to be adjusted.

Secretary RICHARDSON. The full-cost provisions are part of the family assistance plan, under which we would pay the full cost of the development of additional child-care facilities. The other section refers to the matching percentage applying to social services generally under the Federal-State program. Although this is why the two sections are different, I agree that the question of whether they should be reconciled is one to which we should give further consideration.

Senator WILLIAMS. I discussed this with the staff and I am not suggesting which is correct or anything like that, but they may need a little clarifying language to make sure or they may need adjusting.

Now, at one, in the revised bill, why are the provisions concerning overpayments to families in section 446(b)—that is on pages 16 and 17—different from the provisions regarding overpayments to the aged, blind, and disabled persons in section 1606.

Now, I am referring to pages 16 and 17 of the House bill and pages 91 and 92 of the other bill, but there seems to be a different formula there and I am wondering if that was intended.

Secretary RICHARDSON. Are you using the page numbers at the top of the committee print?

Senator WILLIAMS. No. The bottom.

Secretary RICHARDSON. The second numbers.

Senator WILLIAMS. Yes. Second number, yes. Now, if you wish to submit this for the record, I am not—I realize that these are—

Secretary RICHARDSON. I think it would probably be better if I did submit it for the record.

Senator WILLIAMS. They appeared to be inconsistent with the intent of each other and that was the reason we thought it should be clarified as to intent and you would submit that for the record, you say?

Secretary RICHARDSON. Yes.*

REVENUE SHARING ASPECTS OF THE BILL

Senator WILLIAMS. Now, under the present law, Federal sharing of welfare payments to the aged, blind and disabled persons is calculated according to the State per capita income, and I have not heard it claimed that this is an unreasonable formula. Yet, H.R. 16311 abolishes this variation and places it with the same formula for Federal matching in every State. The result is a windfall for States with higher per capita income—simply replacement of State funds by Federal funds—with no benefit to the aged, blind, or disabled. According to figures prepared by your department on pages 26 and 27 of the committee print this change in the benefits to the aged, blind, and disabled will save certain States \$166 million; 88 percent of the total goes to California, New York, Illinois, Massachusetts, Michigan, and Pennsylvania.

Now, the question is, Should we change this formula or would it be better to keep the existing formula as provided in existing law?

Secretary RICHARDSON. Well, Senator, I have not really had an adequate opportunity to go through the steps that were taken by the administration and the House Committee on Ways and Means in arriving at the conclusion they did. As a matter of fact, when I was at HEW before I had a large hand in the development of the sliding scale formula utilizing per capita income. But I think the reasoning was basically that the existing formula was complicated.

The lower income States would still achieve substantial benefits because the ratio of supplementation for amounts above \$65 would be much lower than the Federal share of amounts below \$65, and, generally speaking, the high-income States are the high-benefit States. We would thus achieve a rough sort of sliding scale in this way.

I would suggest that to change the formula, the committee might want to consider some other way of redistributing the amounts which would otherwise go to the States you have mentioned. For example, the committee might want to consider a provision to the effect that no State could receive more than a maximum percentage of the total redistributable amount, with the balance redistributed among the other States.

Generally speaking, the States which would get the most benefit under this formula change are also the States which are reaching the highest amounts of Federal reimbursement for services. I just learned today, for example, that it is estimated that of a total increase of \$300 million in Federal matching for services under the existing open-ended provisions of the law, more than \$150 million would go to California alone. I am talking now about \$300 million above the budget estimates which were originally submitted by the administration for this year.

*The Department's response appears in app. C, p. 1158.

The committee might wish to consider redistributing the money you have just been talking about in some manner that would help the States that are not now spending as much for services to catch up. We are trying to close the open end under the services amendments by establishing a fixed appropriation, as you may have noted in the bill and our description of the bill, of \$50 million to achieve that goal. But I don't think we are wedded to any particular approach in helping States that are not now spending large amounts.

IDENTIFYING WELFARE RECIPIENTS

Senator WILLIAMS. Now, in line with the colloquy, the questions raised by the Senator from Wyoming earlier today, about the method of policing this and checking, how do we identify the various welfare recipients? Perhaps you have one who has not been in the labor force heretofore. Are they identified by social security number or is there a requirement that welfare recipients have to have a social security number and if there is no such requirement, do you think it would be advisable?

Secretary RICHARDSON. Generally, those who have social security numbers would be identified by them. If a recipient was required to register for training or vocational rehabilitation or a job under the program and did not already have a social security number, we would expect him to register under the social security system.

Senator WILLIAMS. The reason I raise that question, I wondered if for identification purposes it wouldn't be well to insist upon identification with a social security number because they are identifying most citizens in that manner already. The suggestion was made that you could check this partially by the tax returns, and it was called to my attention that under the so-called tax reform bill passed last year, a single person with an income of \$1,700, a married couple, no children, would not have to file a tax return if their income was \$2,300 or less, and if a married person with two children with \$3,500 income, he does not have to file a tax return, all beginning in 1972. If they have four children, that would pull it up to \$4,700, and since they would be excluded from the necessity of filing a tax return which would give them a social security number, and as others develop into that range and would not be required, I wonder if it wouldn't be well to just have a rule that all recipients must have a social security number.

The reason I mention that, if they are in the labor force at all, even to a minor degree, their earnings would show up on the social security records when they would not show up on the tax records. That is the point I am making.

Secretary RICHARDSON. I think that is a very good point, Senator. As discussions with Senator Hansen and Senator Miller have brought out, we want to be able to draw on those records. I think that we should implement your suggestion. I think we can implement it by administrative regulation, but if the committee sees an appropriate place to write it into the law, we would certainly raise no objection.

Senator WILLIAMS. Well, will you check further on that point and see if it can be done by administrative, and if not, submit the language for it, and we will check it out, because it would seem to me you would

have a better record of earnings through the social security department than you will through the tax department. Then there is a further advantage, you would have those records in your own Department, which would always be readily available to you.

So I think you would have a quicker check that way.

Secretary RICHARDSON. I think this is true. A related point is that whereas in the case of income tax an individual may hope that his employer will understate his income, in the case of the social security records he would like to have it—

Senator WILLIAMS. Stated fully.

Secretary RICHARDSON (continuing). As high as possible, at least up to the maximum coverage.

Senator WILLIAMS. I hadn't overlooked that point. [Laughter.]

(The Department subsequently submitted the following response to Senator Williams' request:)

The Department of Health, Education, and Welfare believes that there is sufficient authority in title I of H.R. 16311 (the Family Assistance Plan) to require FAP recipients to furnish any information, including social security numbers, which the Secretary finds necessary to establish FAP eligibility. Proposed section 446(e)(1) states:

"(e)(1) The Secretary shall prescribe regulations applicable to families or members thereof with respect to the filing of applications, the furnishing of other data and material, and the reporting of events and changes in circumstances, as may be necessary to determine eligibility for and amount of family assistance benefits."

Accordingly, DHEW does not believe it is necessary to amend FAP in this regard.

INDIVIDUAL AND FAMILY SERVICES

Senator WILLIAMS. Mr. Secretary, under section 2008(d)—this is on page 120 of the revised bill—you would set the Federal share of the project grants for contracts at 90 percent "except that the Secretary may pay all the cost of such a project where he finds that full payment is essential to its successful implementation."

Now, we don't find this language exactly air tight and what I am wondering, does this mean that you would be paying 100 percent of the cost in virtually all cases or—

Secretary RICHARDSON. What this means is that if the Secretary thinks a project is very important in terms of what it can contribute to State and local governments in showing what will work or not work, rather than let the project fail for lack of the local matching share, he could waive the matching requirement.

Senator WILLIAMS. Now, continuing further, the House bill which set Federal matching payments to the aged, blind and disabled at 90 percent of the first \$65 of average payments, plus 25 percent of the remaining amount up to a limit "determined by the Secretary." Now, this is on page 9 of the bill. This provision has not been modified in the revised bill.

Now, what specific amount do you intend to set as to the limit of Federal matching, if any? If you would rather furnish that for the record, any of these questions, I want to make clear it is all right.

Secretary RICHARDSON. This provision introduces into the law for the first time an explicit authority for the Secretary to set a maximum level, and, to that extent, to limit Federal contributions to the adult

categories. We have in mind establishing as a maximum something close to the current maximum payable in any State. This provision is designed to prevent excessive payments. Existing law contains a provision that the Federal Government may avoid contributing if benefit levels get seriously out of line in a particular State. This provision would make explicit the Secretary's authority to establish a limit.

Senator WILLIAMS. I might point out again that in asking these questions, there are questions that came to the minds of some of us in the committee and in conference with our staff—

Secretary RICHARDSON. I understand.

Senator WILLIAMS (continuing). We were unable to get the answer. If you don't have the answer ready, we can understand, but you can furnish it for the record.

Secretary RICHARDSON. I think we did submit something on this in an earlier—

Senator WILLIAMS. Since we couldn't understand, ourselves or working with, our staff, we thought they were points, since there was a question about them, that should be raised and clarified.*

The proposed new social services title in the revised bill refers several times to "protective services." Yet, the term does not seem to be defined in the revised bill.

Now, could you submit statutory language defining protective service that could be put in the record at this point and describe for us what you have in mind.

Secretary RICHARDSON. Yes. We would be glad to do that. I would just say for the record at the moment that the services envisioned are those which are needed by a very old disabled person to prevent him from hurting himself.

(The Department subsequently submitted the following response:)

STATUTORY LANGUAGE DEFINING "PROTECTIVE SERVICES"

After line 17 on p. 106 of the revised bill (p. 248 of the Committee Print) add:
 "(8) The term protective services for children means specialized services to children and their families for the purpose of correcting conditions of neglect, abuse or exploitation of children by parents or others responsible for their care by strengthening parental ability to provide good care or, if indicated, taking steps to remove such children from their homes, through a judicial determination, and placing them in foster care.

"(9) The term protective services for adults means specialized services to adults for the purpose of correcting conditions which cause neglect, abuse or exploitation of adults, who are unable, because of age, infirmity, physical or mental handicap or illness, to protect themselves or, for other reasons, are unable to care for themselves and have no one willing and able to act responsibly for them in their behalf, including services which make available institutional care, when necessary, for those unable to maintain their own place of residence.

On page 100, of the revised bill (p. 249 of the Committee Print), line 4 is amended to read:

"ices) for children or adults included in clause (E) or (F) of such section, or

Senator WILLIAMS. Now, continuing on that same point, in section 2006(b) of the revised bill, that is page 117, it would permit you to provide social services directly under certain circumstances.

Now, in what kind of a situation would you contemplate the Federal Government taking over the provisions of social services directly?

Secretary RICHARDSON. Rather than try to answer that myself, Senator, I would like to first identify Mr. Stephen Simonds, who is the

*The Department's response appears in appendix C, p. 1158.

Commissioner of the Community Services Administration in the Social and Rehabilitation Services, seated on my left, and ask Mr. Simonds to answer the question.

Mr. SIMONDS. This was included in the proposed legislation to assure that people who need services would not go without them, if their local service area should fail to submit a services plan to the Governor; or if that plan was not being carried out in accordance with the assurances submitted to the Secretary; or if the State agency was not able to step in and provide the services. An intermediate step is also provided for in the proposed legislation: if no local plan is submitted the Governor can assure coverage through State services.

Senator WILLIAMS. Now, on page 16 of your revised bill, section 2005(a)(2)(n) "provides that an opportunity for a fair hearing before the State agency will be afforded any person whose request for services under the State plan is denied."

Now, does this mean that there must be a fair hearing even when the only reason for denial is that the State has run out of money?

Secretary RICHARDSON. Will you answer that, too, Mr. Simonds?

Mr. SIMONDS. Yes; I will be glad to

That provision—which, by the way, does apply now and is occasionally utilized—is continued in the proposed legislation.

The State is expected to describe in its plan the people who will be aided by its social services. If the State has funding difficulties, its State agency will probably, as it now has to do on occasion with its public assistance grants, have to tailor its policies and its entitlements in accordance with its available funds—

Senator WILLIAMS. And does that mean that if the State has run out of money that would not be the basis for a hearing?

Mr. SIMONDS. If the State runs out of money, it would very quickly have to change its statement of entitlements, its policies, and its regulations, and an appeal would be made against the established policies and regulations.

Senator WILLIAMS. What would be?

What could you do about it?

Mr. SIMONDS. An example?

Senator WILLIAMS. Yes. Give an example of that.

Mr. SIMONDS. Let's take a homemaker service for an aged person who could stay in his own home if this service were provided. The statement of entitlements, which is published, might say that the aged person is entitled to a homemaker service; if for some reason that request were denied, the person could appeal to the State agency for the homemaker service.

STATE SUPPLEMENTARY PAYMENTS

Senator WILLIAMS. Mr. Secretary, presumably you are expecting the States to voluntarily increase their supplementary payments in order to keep the total welfare grants in line with rising prices. Now, is that correct?

Secretary RICHARDSON. Under existing law enacted in 1967, States were required by July 1, 1969, to adjust their need standards for changes in cost of living. Of course, this applies to the existing AFDC provisions, which would be supplanted. Under the family assistance

plan bill itself, we are not proposing to carry forward the 1967 requirement, and in the future, adjustments could be made by the States as the cost of living rises.

Senator WILLIAMS. Perhaps that answers the next. I was going to ask you what plans do you have to meet the problem of rising prices for welfare recipients in those eight States which do not provide supplementation under this bill.

Secretary RICHARDSON. In those cases the Congress would itself, if it enacts the program with the benefit levels that we have proposed, have to consider whether statutorily to adjust the Federal benefit levels. The answer would also involve application of the hold-harmless clause to the States. We have said that the Federal Government would assure that no State would have to pay more under the family assistance plan for all categories of public assistance than it would have had to pay had the present programs continued in effect.

Senator WILLIAMS. You mean the Federal Government would absorb it?

Secretary RICHARDSON. Yes; for costs other than benefit increases.

Senator WILLIAMS. And how would that work? Assuming that the cost of living went up 5 percent, would the family assistance, \$1,600, advanced 5 percent?

Secretary RICHARDSON. We have no automatic provision in the law for adjustments of the \$1,600.

Senator WILLIAMS. Well, then, relate it to the other services.

Secretary RICHARDSON. What I was referring to is the application of the hold-harmless clause to State expenditures under the supplemental payment part of the bill.

Senator, at this point I can either call on Mr. Hawkins, who can answer the question better than I, or submit an answer for the record in clearer form than I can give it now.

Senator WILLIAMS. It is perfectly all right for Mr. Hawkins to speak. We are raising these questions and that is perfectly all right.

Mr. HAWKINS. Senator, the bill contains no requirement that the States increase benefits to match increases in the cost of living. If they do make such increases there would be, up to the poverty level, Federal participation at the rate of 80 percent.

As for the hold-harmless provision, the House-passed bill provides that it be related to the States' expenditures for each year, not to a fixed dollar figure. The provision relates to State expenditures in fiscal year 1971, increased by the change in the cost of living, which presumably would reflect the increase in the States' expenditures that normally would have occurred.

This does not increase benefits per se; increases in the supplemental benefit levels remain at the discretion of the States.

Secretary RICHARDSON. I found that illuminating myself, Senator. I hope the committee did also.

LOCAL ADMINISTRATION OF SOCIAL SERVICES

Senator WILLIAMS. Mr. Secretary, there seems to be some complicated, administrative relationships under the proposed social services title that we can't quite understand. The administrative relationship under the proposed social services of the revised bill reads that first

you would require the Governor of a State to divide the State into "service areas," and then to designate a State agency or a local prime sponsor to administer the program in each service area. However, continuing, it says the mayor of a city with a population of more than a quarter of a million could designate his city as a service area and designate his own local prime sponsor if he disagreed with the Governor.

For example, the mayor of New York City may have ideas about social services which differ from those of the Governor of New York. Presumably he could designate his own social services agency and make his own social service plans, but then the Governor of New York, as I understand it, could then veto the service area plan of the mayor but the mayor could then appeal directly to the Secretary who might then approve it.

However, if the Governor felt that the city had failed to administer its social services program in accordance with the approved plan, he could arrange for direct State administration.

Now, where would that end up and who would be administering the program at the end of the line?

Secretary RICHARDSON. I can tell you what the reason behind this was. The question is an important one and I am glad it arose, because I think it is something the committee should want to take a very close look at.

Underlining the proposal is the belief that municipalities should be encouraged to develop more effective planning capability for the provision of services to people. It will not be only through more effective use of our resources of money and manpower that we are going to be able to meet people's expectations for solving the problem of poverty and deprivation and disease. We cannot possibly expect to produce enough money or sufficient manpower just by adding on to existing programs without fitting those programs together more efficiently.

The cities especially, since they are apt to have more poor people, need to develop a capacity to plan effectively. The underlying thought here is that the mayors and the municipal executives should have the opportunity to develop their own plans, rather than stand aside and let State or county agencies develop plans alone. If a mayor is given that opportunity and responsibility, he should be able to fulfill it, without having the Governor's office telling him he cannot plan as he wishes.

I realize that some degree of tension often exists between State administrations and municipal administrations. I would frankly say, Senator, that having served 4 years in a statehouse and never in a mayor's office, I tend personally to sympathize with the feeling that a municipal plan should at least be consistent with the State plan. At any rate, we feel that mayors should be encouraged and assisted to develop this capability.

There are nationwide only 57 cities with populations of 250,000 or more, and it is administratively feasible for the Federal Government to deal with them separately from State agencies.

Senator WILLIAMS. Well, I understand your reasoning but we have the case where the Governor submits a plan, divides the State into service areas, the mayor doesn't like the plan, so he appoints his own

social services director and sets up his own plan. Then we are at that point. Then the next bill says as I understand it that the Governor—he doesn't like what the mayor did. First, the mayor didn't like what the Governor did, sets up his own plan, then the Governor doesn't like what the mayor did. The Governor has the power to veto it and then it is dead. Then the mayor can appeal directly to the Secretary and as Secretary you can reapprove it. Is that correct?

Secretary RICHARDSON. If we are talking now about consolidated plans, the mayor can develop his own plan, as I read the bill, without any power on the part of the Governor to veto it.

Senator WILLIAMS. Well, we are speaking about social services now and I think according to—it is our interpretation of the bill, that is the way it goes and then if the mayor appeals directly to the Secretary, the Secretary can approve the mayor's plan and then the Governor if he felt the city failed to administer its social service program according to an approved plan, he can direct State administration and we are back where we started, and then delays another part I didn't get to yet, but if the Secretary, after looking at all this confusion, decides that there has been a substantial failure to comply with the provision, he could cut off Federal funds and set up a direct Federal administration of the plan.

I am just wondering who is ultimately doing it and shouldn't that be clarified so at least we know who is boss?

Secretary RICHARDSON. In the case you describe, under social services, the Secretary would have to arbitrate between the State and the city, and, of course, where he intervenes directly in the absence of a State plan or State determination, his decision would be final.

What is involved here is a judgment on the question of how desirable it is to have a degree of independent authority vested in the cities.

Senator WILLIAMS. Well, of course, the question is how independent it is and you can look this over and for the benefit of the record I ask that the fifth paragraph of the committee print appearing on page 30 of the committee report which gives the sections and the paragraphs and places in the bill wherein these contradictions arise, and you can look them over and—

Secretary RICHARDSON. On this particular issue, the governing language is on page 111 of the bill, in section 2004 (b). It says:

In any case in which the Governor does not approve an area plan, the Secretary shall, upon request of the local prime sponsor [who can be a mayor, if he is a self-designated prime sponsor] submitting such plan and after consultation with the Governor, determine whether the area plan is consistent with the requirements of sections 2003 and 2005 and, if the Secretary determines that such plan is consistent therewith, the Governor shall approve such plan.

TEMPORARY EMERGENCY ASSISTANCE

So in effect the Secretary would be the arbiter in that case.

Senator WILLIAMS. Mr. Secretary, under section 2002, paragraph 1 (i), on page 196, you have included temporary emergency assistance payments to families as a social service. Wouldn't it be more appropriate to consider this a cash assistance? Or do you think they should be separated?

Secretary RICHARDSON. I think they should be a social service, Senator, with responsibility for their administration vested in the social service agency.

The problem here is that if a family's house is lost in a fire or if its head of household dies suddenly, we want to be able to tide the family over for a short period. We have had some discussion in the Department whether this should be the function of the agency that administers family assistance payments or the agency that administers social services. My own view, on balance, is that this kind of temporary assistance, which does not rest upon a determination of eligibility at all—in fact, the family may later be found not to be eligible for family assistance—should not be made part of the benefit payment process, but considered strictly a service. At any rate, that is the reason why it is so identified.

Senator WILLIAMS. I might say to the other members of the committee, if any of them have questions, I will be willing to forego because I started here earlier. I don't want to monopolize—

Senator FANNIN. Mr. Chairman, I don't want to interrupt you.

Senator WILLIAMS. That is perfectly all right. I have a few more questions.

Senator FANNIN. You go right ahead and I will follow you.

Senator WILLIAMS. I just started these because—go ahead and then I will come back.

These do not necessarily have to be in continuity.

Senator FANNIN. Thank you.

DIVERGENCE IN INFORMATION

Mr. Secretary, I admire your ability to acquire the knowledge you have in the relatively short time that you have been involved with this program. Of course, I know you have had work in other areas of activity that have been of great assistance. But I get back to some of the problems that I see in my own State and as I say, I can observe those easier than I can ones in other States, and we do have this tremendous problem as far as our Indians are concerned, but I do wonder if we have the information available when I notice the different changes that have come about, even in the last few days when we are considering the statistical data relating to this program, and I notice in the press reports that came about from yesterday's hearing the number of recipients of family assistance, and I would like you to comment on the changes in the characteristics of the families receiving assistance, the materials I understand submitted to the committee when Secretary Finch was here in April.

Sixty percent of the families in the House bill would be headed by a man and 40 percent by a woman. Table 7, page 28 of the committee print shows that under the revised bill about 50 percent of the families would be headed by a man. Some kind of unusual migration seems to have occurred between the House bill and the revisions. The number of families eligible for assistance in the South is about 2 million in the House revised bill while the number of families in the Northeast has increased by about three-quarters of a million persons.

I just would like to ask, Mr. Secretary, what is the reasons for these very different characteristics of the caseloads of the House bill and under the administration revision.

Secretary RICHARDSON. I can not give you a sufficient explanation at the moment, Senator, I can only say generally that some refinement has been made in data, and that we consider the information which is in the committee print to be the best available data. Beyond that I

will have to submit for the record an explanation of the divergences in these figures.*

Senator FANNIN. What I am concerned about, Mr. Secretary, is that here we are talking about legislation, trying to judge our decisions on information that in many instances I just feel is not available and would take considerable time to obtain, and I just wonder if we are wise in going forward with this legislation until we do have factual information.

Secretary RICHARDSON. Well, I can only refer you, Senator, to the rather full description of the methodology that was used in arriving at these figures. It is set forth beginning on page 18 of the committee print. It points out that the first cost estimates were based on the surveys of economic opportunity which were made in 1966 and in 1967, that the figures have been updated in light of the current population survey for 1969. These represent the most comprehensive analyses of the situation of families that exist, until additional data is made available from the current census.

The current population surveys are made by the Bureau of the Census. They cover enough families for us to be able to project with considerable confidence what the breakdown of families and ages of family heads are nationwide. It is hard to conceive of any better way than this kind of procedure of developing a factual picture of our population. I am not sure, therefore, what we could expect to gain by waiting.

Senator FANNIN. Well, Mr. Secretary, of course, I am not challenging the current population survey that you have referred to. I know it is being challenged by many Members of Congress, especially when the information was disappointing. We were very fortunate as far as our State is concerned. We came out quite well. I don't mean to intimate that we counted people twice, but we are well satisfied with it.

This is being challenged as you well know and I am just concerned there because just such a variance when you talk about the OEO information and then we get into the current population. Supposedly we spent a great deal of money trying to obtain these OEO figures and we have based much of our information on the OEO figures and even if we dig back and try to translate it back into current population survey, we still are confused.

I just wonder if we are ready to accept these figures.

Secretary RICHARDSON. Well, I do not think we would advertise them as 100 percent accurate, but it is hard to imagine any way in which, for purposes of the kinds of issues and policies that are before this committee, we could expect to obtain better figures. Nor is it apparent to me, at least, to what extent the committee would be in a better position a year from now, or 2 years from now.

Senator FANNIN. Well, I am not talking about that.

Secretary RICHARDSON. The committee faces an existing "welfare mess." The question is really, in the light of the best available data, what are the implications of the proposals before you?

*The Department's response appears in appendix C, p. 1158.

EFFECT OF INCREASED UNEMPLOYMENT ON THE BILL

Senator FANNIN. Mr. Secretary, I realize we have a serious situation and I feel as you do about the current welfare program.

At the same time we take into consideration what is involved and here we have on page 28 of the committee print your Department submitting a table showing the characteristics of families eligible for family assistance benefits in fiscal year 1971. The table is based on a 3.6-percent unemployment rate relating to a year in which the bill will not even be in effect and excludes families receiving only State supplementation.

I was just wondering if we could try to correct that or at least, we must assume that or at least I take it for granted we are going to assume the current unemployment is quite beyond 3.6, it is 5.5. We hope you are foreseeing a change of unemployment, that it will go down to 3.6, but I don't know that we can judge it on that basis because if I take my own State, I don't think it can change that rapidly and I assume that is true throughout most of the United States.

Secretary RICHARDSON. Well, I think you are quite right about that, Senator. We have submitted for the record a detailed exposition of the implications of changes in the unemployment levels up to a level of 6 percent unemployment. The calculations show a comparatively small change in the aggregate benefit costs under the program, for reasons that are described there. They have to do, for example, with the fact that the employees who tend to be most effected by a downturn in the economic level are hourly wage employees in manufacturing industries who are working at rates substantially above the poverty level and who are laid off or lose overtime wages. The people who work and would be beneficiaries of the family assistance plan tend to be less affected.

A summary of this analysis has been prepared by the Department of Labor; you have it in the record. It shows, for example, that a 1-percent increase in the unemployment rate over the rate assumed in the tables you pointed out would add about \$100 million to the cost of family assistance plan benefits. A 2-percent increase would add \$200 million, and a 3-percent increase would add \$300 million.

Senator FANNIN. I notice on page 39 where the effect of increased unemployment on the family assistance program beneficiaries and costs, and we are using as I understand OEO figures on that, rates of unemployment in 1960 to date and showing the variance, but is specifically brought out in one of our previous discussions, I think what illustrates the problem that we have when we talk about those that are going to be laid off, and I used an illustration of one of the companies in Chicago that is building a plant in Taiwan and it goes on stream in 1971. When it goes on stream in 1971, 30 percent of the employees in the United States will be out of work by the time they go on stream.

Now, of that 30 percent, 38 of that number, 38 percent of that number, have been employed under Federal programs. They have had assistance, have had subsidy for their training, and millions of dollars have been spent and years of work, and so those people, the ones involved, would not necessarily come under your category when you say

they are far above the poverty level. These are people that were trained and were brought there in many instances from those who had been on welfare or did not have employment. So I would just wonder if we can really depend upon that type of figure.

Secretary RICHARDSON. I find the exposition which begins on page 37 of the committee print to be very clear in its description of why changes in employment levels have comparatively small impact on this particular caseload.

In the case of skilled workers, of course, the tendency for them to be unemployed long enough to qualify for benefits under this program is not very great. You will be able to get better data on this population group from the Secretary of Labor next week.

Senator FANNIN. I understand that.

Secretary RICHARDSON. Generally speaking, people who have skills are employable—if not in their immediate locality, somewhere else. We are dealing under this plan with an effort to reach people who are capable of work—

Senator FANNIN. Yes.

Secretary RICHARDSON (continuing). Capable of gaining skills and who, if they do achieve significantly greater abilities, would then join the ranks of skilled workers who are not apt to be out of employment for very long, at least not if they are willing to move.

Senator FANNIN. Well, that is very true, Mr. Secretary, and I certainly admire your goal in this respect, but I also know that in the field that we are talking about, unemployment is becoming more and more of a problem and these people are trained, they are skilled in that particular activity but if some of the companies are transferring their operations to other countries where they do have low-cost labor and other advantages, then we have reason to believe that this is going to be true in quite a number of industries.

In fact, we witness that this is happening and we go from there into something entirely different but still pertaining to the figures that were used.

NUMBER OF DISABLED UNDER THE BILL

I notice the estimate submitted by your Department projected an increase of only 100,000 aged, blind, and disabled persons to welfare rolls if this bill is enacted.

Yet, social security studies show that over 1 million severely disabled persons not now receiving welfare have income below the \$110 in the bill. Why does your Department estimate that sum if you have these people receiving welfare under the bill?

Secretary RICHARDSON. A projection of increased costs for old-age assistance is reflected in the \$200 million increased cost figure. That is set forth on page 23. The additional amount is attributable to the additional coverage resulting from the House bill.

Among those who have incomes of less than \$110, a great many undoubtedly do not qualify for old-age assistance because of significant amounts of assets or other factors.

Senator FANNIN. Well, Mr. Secretary, I agree with you to a certain extent but when you are talking about the severely disabled, close to 1 million of them not now receiving welfare, income below the \$110 in the bill. Don't you think that would change the complete picture?

Now we are talking about severely disabled, so they would be in a different category than those we discussed as far—

Secretary RICHARDSON. This group is pretty well identified because of the vocational rehabilitation and social security programs. I think, Senator, that the ability of the social and rehabilitation service in HEW and appropriate State agencies to identify and project case-loads here is quite good. I think that the projections of what happens from year to year if you change benefit levels, can be borne out as valid and reliable statistical data.

If you like, we could go further into how they derive them.

Senator FANNIN. When we talk about 90 percent, in other words, a change here from a million down to 100,000, really more than that, because you are talking about the 2 million, but, of course, if we get into the category in which we know that they would or could be eligible, let me put it that way, according to the Social Security Administration figures and their studies, we know they could be eligible. There is no doubt about that because they do have income below the \$110 in the bill and they also are severely disabled. So then we are dropping, then, down from the million down to \$100,000. It just doesn't seem logical.

Senator RICHARDSON. Well, I do not find it surprising, Senator, that there are as many as a million people in these categories who have assets or who have a spouse with income or who otherwise do not want to apply for assistance. In the case of an old person living in the home of a daughter or a son, that old person may have a very small cash income and yet not be in a position in which he could apply for old-age assistance.

The Social Security Administration is part of HEW, and the statisticians in the various parts of HEW talk to each other. I am sure that these considerations have entered into the projections, but if you would like to have a more detailed explanation, I would be glad to put one into the record.*

Senator FANNIN. I would appreciate it because, Mr. Secretary, I just speak from experience. As a Governor I had some very sad illustrations of what I am talking about. We are talking about the youngsters, the young people, and about their parents, and being willing to take over the obligations of parents. I witnessed many cases where the parents would dispose of their assets in order to be eligible and perhaps give what they had to the children and later on the children wouldn't be even willing to take care of them. This was not just an isolated case. We had many cases like that that came to my attention. So I am concerned about this, especially when you reduce it down from 1 million, really 2 million, down to 100,000 or in the category we are talking about, a million down to whatever figure it would be, less than 100,000. So I am concerned about that. I just wonder about it.

This morning—

Senator BYRD. Would the Senator yield—

Senator FANNIN. Yes.

Senator BYRD (continuing). For a question at that point?

*The Department's response appears in appendix C, p. 1159.

COMPARING SOCIAL SECURITY BENEFITS WITH WELFARE PAYMENTS

Mr. Secretary, as I understand it, each aged individual would be guaranteed \$110 a month which means that a man and wife would be guaranteed \$220 a month. Now, am I clear what happens on social security cases? Under social security a person gets \$110 a month, a person who has worked many years, and he retires, he gets \$110 a month and his wife just gets 50 percent additional which makes \$165 a month.

It appears to me—and maybe I am wrong about this—that a person on public assistance, a couple on public assistance, would receive \$220 a month but a person who has worked and paid into the social security fund for a long period of time and then retires and begins to draw his social security benefits, he and his wife will only receive \$165 a month.

Why wouldn't it pay him, if that is correct, to go on welfare instead of taking the social security benefits?

Secretary RICHARDSON. The first point to be made, Senator, is that generally speaking all employees do contribute to the social security system. Their employers contribute to it, too, and when they retire they get whatever level of income the system provides. The average benefit for retired people under the legislation now before the committee would be \$218 for a retired couple. The maximum benefit is somewhere around \$280. If the husband hadn't worked very long under the program, or if for some other reason the couple was at the very bottom end of the benefit scale, the couple's benefits might have to be supplemented by old-age assistance. This has been true ever since both systems were established. But it was, as you know, the hope of the draftsmen of the Social Security Act, which from the beginning included both retirement benefits and old-age assistance, that the old-age assistance caseload would go down as the social security system matured.

It is true that the old-age assistance caseloads have slowly declined but there has always been a very significant number of people whose social security benefits were supplemented by old-age assistance, and there has always been a certain number of women who never worked, and whose source of support—a brother, perhaps—has died, and who have been covered under old-age assistance.

These caseload projections, I would say—and to Senator Fannin, also—are quite reliable. There is nothing new or particularly radical about the \$110 minimum benefit proposal. The committee and the House Committee on Ways and Means have used similar devices to calculate the level of old-age assistance benefits.

Senator BYRD. The point is that a person entitled to \$110 a month social security after working and paying part into the fund and he is entitled to \$110, his wife is entitled to only 50 percent of that amount, so the two together are entitled to \$165, but under your new program of public assistance, every individual would be guaranteed \$110 which means those on welfare, a couple on welfare would receive \$220 as compared to \$165.

Secretary RICHARDSON. I think you are using figures on current social security benefits—

Senator BYRD. That is what I am using, current figures.

Secretary RICHARDSON. I hope the committee will recommend and the Senate will enact the social security bill pending before it concurrently with the family assistance plan, so that a new schedule of social security benefits will be in operation. Under the new schedule, the average benefit would be \$218, and the maximum would be quite a lot higher.

Senator BYRD. What would be the minimum under your new proposal?

Secretary RICHARDSON. For an individual, the minimum would be \$67.20.

Senator BYRD. Under social security?

Secretary RICHARDSON. Yes.

Senator BYRD. And his wife would be entitled to 50 percent of that?

Secretary RICHARDSON. Yes.

Senator BYRD. Or have you changed the 50 percent formula?

Secretary RICHARDSON. That is still the same.

Senator BYRD. You have not changed the 50 percent formula?

Secretary RICHARDSON. No.

Senator BYRD. You have a 100 percent formula for the welfare recipient but you have a 50 percent formula for the social security beneficiary?

Secretary RICHARDSON. Well, Senator, we are talking now about—

Senator BYRD. I am just asking for the facts, not the reason for it, just the facts.

Secretary RICHARDSON. One program is a program on which eligibility is predicated on need. The other is a social insurance program; under it, one can draw benefits even if his income is a million dollars a year. One is related to a determination of all other current income from other sources, and the other is work related and depends upon the length of coverage and amounts of contribution.

The philosophy of the two programs is quite different. If the committee concluded that it wanted to provide twice the covered employee's benefits under social security for a husband and wife, it could do so at the minimum end of the scale, but at some increase in the social security withholding tax.

Senator BYRD. I am not speaking of the reasons. I am just trying to understand the fact. As I understand it, as I visualize it, most couples, not all couples, but most couples would do better to disregard their social security, go off social security and go on welfare.

In that connection I ask unanimous consent that—

Secretary RICHARDSON. They are not free to. They are required to pay into the social security system as long as they are employed. And if social security benefits are available to them the amount of those benefits is taken into account in determining how much they can get in welfare payments.

Senator BYRD. I understand that. That is part of their own money coming back to them, part of their own money coming back to them.

Secretary RICHARDSON. Yes.

Senator BYRD. I ask unanimous consent to insert in the record at this point beginning at line 18, page 863 of yesterday's transcript, through line 19 on page 869.

Senator ANDERSON. Without objection that will be done.

(The material referred to follows:)

GUARANTEED MINIMUM INCOME FOR THE AGED

Senator BYRD. Now, Mr. Secretary, the bill would require States to assume a minimum, a guaranteed minimum, income of \$110 a month for each aged person.

Secretary RICHARDSON. Yes.

Senator BYRD. This would mean a benefit for a couple of \$220 a month.

In our social security program the benefits per couple are 150 percent that of an individual. Few, if any, couples today receive social security retirement benefits as high as \$220, as I understand it.

What is the reason for having welfare benefits for a couple twice the amount of benefits for an individual?

Secretary RICHARDSON. Well, the reasoning behind this, as I understand it, Senator, is that the social security benefits are a basic income protection for families, who, in many cases, would supplement those benefits through various forms of private savings or through pension programs.

The \$110 amount that is contemplated under the adult categories is an amount that would be payable only if the family had no other income at all. In fact, if the family were receiving as its only other income the minimum social security benefit, then that amount would be supplemented under the family assistance program.

Senator BYRD. Is this statement correct: The bill would require States to assure a guaranteed minimum income of \$110 a month for each aged person?

Secretary RICHARDSON. Yes, that is correct.

Senator BYRD. Then your response to my previous question would certainly indicate to me that those on welfare will receive a preferential treatment as compared to those on social security.

Secretary RICHARDSON. Well, I can only repeat, Senator, this is the maximum benefit. They do not get \$110 automatically. It means that if they have no other income at all they would receive \$110.

Senator BYRD. So a couple would receive \$220, whereas if a couple were on social security they would receive \$110 plus 50 percent of that, which would be substantially less than the \$220.

Secretary RICHARDSON. This is true. The difference is the difference in the character of the programs. One is designed to be a contributory, work-related system.

Senator BYRD. Not work-related for the social security when you are prevented by law from earning over a certain amount of money. You are not supposed to be working, you are not supposed to work once you are on social security. The law discourages you from working.

Secretary RICHARDSON. The administration's social security proposals do increase the opportunity for earnings.

Senator BYRD. But it discourages you; the new program that you recommend, plus and including the present program, both discourage working on the part of those who draw social security, does it not?

Secretary RICHARDSON. No. We propose both to raise the amount that an individual could receive without any loss of social security benefits, and to permit the individual to keep half of earnings above that. This is a recommendation about which I testified before the committee.

Senator BYRD. Well, the whole endeavor is to discourage people from working when they draw social security. Otherwise, why not take the limit off? Why put the limit on, anyway?

Secretary RICHARDSON. Well, the reason for that, Senator, is in the fundamental conception of social security benefits as being insurance against a loss of income as a consequence of retirement, disability or, in the case of a wife and children, the death of the family breadwinner. In that sense it insures against these losses, and so the question is whether the individual is retired or not.

It is not designed to encourage him to retire. It is designed to help supplement or offset the loss of income if he does retire.

This is why the test has always been referred to as the retirement test.

Senator BYRD. The law has been and is now, and even under your proposal, to discourage people from working once they draw social security.

Otherwise, why don't you take the limit off? Why do you recommend the limit?

Secretary RICHARDSON. Well, I can only repeat, Senator, that the reason for it is not to discourage work. The reason is that the program has, from the beginning, determined contributions, calculated actuarially, for the purpose of pro-

viding certain kinds of insurance, and one of these is insurance against the loss of income that results when a person retires.

Senator BYRD. How much can a person earn now and not have his social security reduced, \$1,600, is it not?

Secretary RICHARDSON. \$1,680.

Senator BYRD. \$1,680.

What do you recommend that it be?

Secretary RICHARDSON. We initially recommended that it be increased to \$1,800.

Senator BYRD. So you recommended the increase to \$1,800 and after which they would lose a part of their social security benefits; is that correct?

Secretary RICHARDSON. Yes, they would, in effect, lose half.

Senator BYRD. Why do you recommend \$1,800? Why don't you recommend taking off any discouragement at all?

Secretary RICHARDSON. For the reasons stated, Senator, that the program is an insurance program, not a welfare program.

Senator BYRD. That is exactly right.

Secretary RICHARDSON. It means, therefore, that the program from the very beginning, in the case of income benefits for people over 65, has been predicated upon their retirement.

Senator BYRD. That is right.

Secretary RICHARDSON. If they are not retired, then, by definition, they should not be drawing any benefits.

Senator BYRD. That is correct. But you mentioned a moment ago that the reason the welfare recipients would draw more—the welfare couple would draw more—than a couple not on welfare is then you envision that they would go out and earn some money.

Secretary RICHARDSON. No; I do not think I said that. I said that the difference is in the concept of the programs.

Senator BYRD. It is entirely different concept, and that is why I am just trying to get clear in my mind as to what we are doing here or what you are recommending we do is that you give a preferential treatment to aged couples on welfare over and above what treatment would be received by those on social security, and your answer to that is, as I recall is, in the affirmative.

Secretary RICHARDSON. Well, the one thing I think we should straighten out is that the combined \$110 payments to each of an elderly couple would, for most couples, not be more than the OASDI benefit in the law which is also before you.

Senator BYRD. Is it not correct that the benefit of a couple is 150 percent of an individual?

Secretary RICHARDSON. Under OASDI?

Senator BYRD. Under the social security program.

Secretary RICHARDSON. Yes.

Senator BYRD. Well, under your proposal in regard to welfare it would be doubled. I am not arguing the point. I just want to establish the fact.

Secretary RICHARDSON. Well, the reason for it, as I understand it—

Senator BYRD. We know the reason for it. It is a fact, is it not?

Secretary RICHARDSON. It is, Senator.

Senator BYRD. All right.

Senator BYRD. One other brief question, Mr. Secretary. You were going to supply for the record a reconciliation of the past and present cost estimates. Could we have those this afternoon?

Secretary RICHARDSON. That will be submitted to you in the morning.

Senator BYRD. Tomorrow morning?

Secretary RICHARDSON. Does the committee meet tomorrow morning, Mr. Chairman?

Senator ANDERSON. I do not know. If this is available at the time, please submit it.

Secretary RICHARDSON. I know you have not received the reconciliation yet. We owe it to you but we could not get it here today. We will have to do it tomorrow morning.*

* The material referred to appears on pp. 548-550 of this volume.

Senator BYRD. This goes back several weeks. I began to ask for it last week, but the committee asked for it some weeks before that. I realize that it sometimes takes time to get these matters out, but I am very anxious to get these figures. I think the committee is entitled to have them.

Secretary RICHARDSON. No question about that, Senator.

Senator BYRD. You plan to submit it to the committee and to me tomorrow morning, you say?

Secretary RICHARDSON. Yes.

Senator BYRD. Thank you.

Thank you, Senator Anderson.

ADOPTION FEATURES IN THE BILL

Senator FANNIN. Mr. Secretary, I notice that there many complexities to this matter and one, your statement on the social services section of the revised bill, page 27 of your July 23 revised statement, you propose that these services would bring together children needing adoption with potential adoptive parents across the country and even establishing use for similar efforts in other nations.

What do you have in mind with respect to other nations? I am curious about that.

Secretary RICHARDSON. This involves the kind of adoption programs that you have all seen publicity for, including Korean and Greek orphans, and so on. It is a way of trying to insure some consistency of information and responsibility for the way these things are handled.

Senator FANNIN. Do you contemplate U.S. parents adopting children of other nations or parents of other nations adopting children from the United States?

Secretary RICHARDSON. It would mostly be, as far as I know, citizens of the United States adopting children from other nations. I call to your attention, Senator, the footnote reference on page 115 of the committee print, which is to a statement in the text to the effect that the Federal Government would assume support for the Adoption Resource Exchange of North America, called ARENA for short. The footnote points out that ARENA was established by the Child Welfare League of America, a private organization, in 1967. Its purpose is to bring together for adoption those children for whom public and private adoption agencies can find no adoptive families, and families for whom agencies have no children. This agency makes the adoption agencies of North America a part of a large network of adoption resources. As pointed out on the following page, it is operating a demonstration project financed by foundation grants and a contract with the Bureau of Indian Affairs.

Senator FANNIN. Mr. Secretary, I am vitally interested in this matter concerning the Bureau of Indian Affairs, because as you probably know, the children can not accept full adoption in many cases, or they lose their tribal status. This creates a problem. I just wonder if there is any special provision that could be made or is made in this instance? In other words, a Navajo child that is adopted—now, many of the children are brought into the families and are taken care of by families, but they are not truly adopted legally because of that restriction. I am just wondering what can be done in that regard, because we have a great number of children on the reservations who

could benefit greatly by having the opportunity of adoption, but still receiving the care that would come through adoption, but unfortunately, because of legal restrictions, they cannot be adopted.

Secretary RICHARDSON. We would certainly want to pursue this question further. I think it is one of the aspects of the whole problem which is the subject of inquiry in the demonstration project now being carried out under the contract with the Bureau of Indian Affairs. In any case, as the text explains, we do think that it is important to provide a greater degree of Federal leadership in this entire area.

Senator FANNIN. Well, I agree with that. But we do have that particular problem and I would appreciate an answer if you can get it for me as to what might be done in this regard, because I think it would perhaps aid greatly in assisting in this very serious problem we have on the reservations.

Secretary RICHARDSON. May I ask Dr. Edward Zigler to supplement our answer to this question, Senator? He is the Director of the Office of Child Development in HEW.

Senator FANNIN. Yes.

Dr. ZIGLER. Senator, we have now gone beyond the ARENA contract with the Child Welfare League in examining the problem of Indian children in particular. I have had a meeting with tribal representatives in the past week to set up a special advisory committee to inform me about the precise matter that you are discussing. We are establishing in the Office of Child Development a division concerned with vulnerable children and very high on its priority list is a concern with Indian children. We are trying to devise mechanisms that will deal with exactly the questions you have raised.

Senator FANNIN. I appreciate that and I will be very, very anxious to hear the outcome, because it is important.

When we were talking about this problem, in the 1967 Congress, they increased the authorization for Federal grant for child welfare services to \$110 million. In his 1971 budget, the President requested another \$46 million for these services, which include foster care. The bill now proposes raising the appropriation for foster care services by \$150 million. Now my question is we have not utilized the \$64 million already authorized in prelaw. I just wonder why the increased request when we have not even utilized that one. I am not saying that it should not have been utilized, but I am just wondering what the program would do in this regard that would bring about the need for that amount of money. If it is needed, fine, I agree it should be furnished. But since we have not used the \$64 million, what changes will be made?

Secretary RICHARDSON. I think it is important, first of all, to emphasize, Senator, that we are dealing here with an authorization bill. We are dealing with a bill which would consolidate existing authority under the Social Security Act, and lay a new foundation for better integrated child welfare services, foster care services, adoption services, and so on. Beyond that, I would like, with your permission, to ask Mr. Simonds to tell you what kinds of opportunities he sees for the improvement of services in these areas.

Senator FANNIN. Thank you, Mr. Secretary.

Mr. SIMONDS. Senator, the \$110 million you referred to was an authorization only.

Senator FANNIN. Yes.

Mr. SIMONDS. To date, only \$46 million has been appropriated. That \$46 million is totally allocated to the States, and it is being used broadly in the child welfare field by the State agencies.

Only a very small portion of that money actually goes into foster care. We estimate that of total foster care expenditures, the Federal share is only about 2 percent.

We also have an appropriation under AFDC, title IV-A of the Social Security Act. The total Federal share of foster care there is about 8 or 10 percent, which is still a much smaller share than we have in other categories of social services. Hence, the administration's proposal increases substantially the Federal share of foster care.

The expenses of about 274,000 children in foster care are financed through public agencies. We estimate that another 60,000 to 80,000 children can use and should have foster care services. The States are quite desperate in their need for more and better funding in the foster care field.

Senator FANNIN. Well, I agree. I realize the problem that we have. Of course, we have a particular problem because we do have the largest number of our American Indians, and if it could be expanded, I think it would be very beneficial, because the children are certainly suffering from not having the proper care at the present time. It is something I am slightly interested in and I would appreciate more information if you have it.

Along that line, in section 205(a) through (f), page 114 of the bill, Mr. Secretary, it requires the States not to spend less for social services than it spent in fiscal 1971 under a State plan developed jointly with the Secretary provided in part (b) of title IV, the child welfare services program.

Mr. Secretary, does this mean that the States will be required to spend only the amount needed to match Federal funds under this program, or under that program?

Secretary RICHARDSON. The clause you point out, Senator, is a maintenance-of-effort clause; it is designed to insure that States do not decrease their present endeavors. But the general thrust of the program is to encourage them to expand their activities. The fund proposed here would provide an opportunity for the Federal Government to make available larger sums in matching the States increased efforts.

Senator FANNIN. I understand that, but you are talking about increased efforts. Are you saying that the States could not just simply substitute Federal funds for State funds, then, in that regard?

Secretary RICHARDSON. Yes; exactly.

PRIORITY PLACED ON STAFFING FOR SOCIAL SERVICES

Senator FANNIN. One item—I know we have touched on this. But, Mr. Secretary, in section 2005(a) 2(c) on page 113 of the bill would require States to give priority to staffing for the social services program to persons on welfare. I am just wondering what is the purpose of this requirement.

Secretary RICHARDSON. It is to implement our expressed desire to assist people who are receiving family assistance to become self-supporting if possible.

Senator FANNIN. Well, now, I am talking about priority of staffing of the social services program to persons on welfare. Are we talking about the employment that would be involved in that regard? Is that what you are referring to in your answer?

Secretary RICHARDSON. On what page is the section you are referring to?

Senator FANNIN. Section 2005(a) 2(c) on page 113 of course, I am thinking about the advantages that could accrue as far as the public is concerned. I am also thinking about the quality of the services that could be performed if the people are in a position where they could work advantageously, I would agree with that. But I am just wondering how far we can go in this regard and still maintain the proper personnel to take care of the problem.

Secretary RICHARDSON. I see, Senator.

Senator FANNIN. I understand that, but I—

Secretary RICHARDSON. We are trying here to accomplish two objectives. One is to provide gainful employment to people who are registered for jobs under the family assistance plan. The other is to provide services which we might not otherwise be able to provide.

One example is in the day care area: A mother whose own children are in school is registered under the family assistance plan and given some training which qualifies her, if not to run a day care center, at least to assist in the supervision of children at the center. Having completed her training, she could be employed in helping to take care of the children of other mothers. This is the sort of thing we have in mind.

There are some kinds of counseling services, to cite another example, in which an intelligent and adequately instructed person could help to advise other people receiving benefits about available sources of help, advise them in making better use of their family budgets, and so on. This is the sort of thing we want to encourage. People receiving family assistance can often reach the mothers or homemakers in other recipient families more persuasively and at a better level of communication than a trained social worker can.

Dr. Zigler points out to me that we have learned a lot from Head Start about how to use mothers in the neighborhood effectively.

Senator FANNIN. Well, Mr. Secretary, I agree and I think it would certainly be highly beneficial and a commendable program if they work within their abilities. But when you talk about counseling and so on, I do not know many instances—perhaps they would qualify, but I think you would be getting into dangerous territory.

Secretary RICHARDSON. Could I ask Dr. Zigler to supplement my testimony here?

Senator FANNIN. Yes.

Dr. ZIGLER. Senator, I have examined for the past 5 years the role of the nonprofessional and the paraprofessional in social services. I share your concern that by placing so much emphasis on hiring the poor, we may surround the poor with inadequate services. I think that we discovered in Head Start a moderate course which we could extend to this entire program.

I think that the secret we have learned is that these people can make an important contribution, providing that they are given the necessary training and that we devise institutions that will allow them to do so.

Senator FANNIN. I thank you very much and I agree that if they are doing work within their abilities, I would certainly favor this program and I am delighted to hear of your experience.

Thank you very much, Mr. Secretary.

Secretary RICHARDSON. Thank you, sir.

Senator ANDERSON. Senator Curtis.

COMPARISON OF FEDERAL COSTS OF PUBLIC ASSISTANCE FOR 1972 UNDER
CURRENT LAW AND FAP

Senator BYRD. Senator Curtis, would you permit me to make an insertion in the record at this time?

Senator CURTIS. Sure.

Senator BYRD. Mr. Chairman, I ask unanimous consent to insert in the record a letter which I received from the Secretary today, along with a chart giving the projected or estimated costs of the administration's program for fiscal year 1971, and also for fiscal year 1972. I appreciate the Secretary submitting this to me and for the record. His letter is not dated, but I assume it should carry the date of today, Mr. Secretary.

Secretary RICHARDSON. It is not dated?

Senator BYRD. I assume it carries today's date.

Secretary RICHARDSON. Yes; it does.

Senator BYRD. I just point out for the benefit of the committee that instead of the \$9.1 billion which the committee has been working on, the total projected cost for 1971, fiscal year 1971, is \$10.8 billion, and the projected cost for fiscal year 1972 is \$11.8 billion. I ask unanimous consent this be inserted in the record.

Senator ANDERSON. And without objection, that will be done.

(The letter referred to follows:)

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C.

HON. HARRY F. BYRD, Jr.,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: During the current hearings of the Senate Committee on Finance, you asked for a comparison of total Federal costs of Public Assistance in Fiscal Year 1972 under current law and under the Administration's proposed Family Assistance Plan. As you know, projections of maintenance payments for FY 1972 appear in the Committee print, but certain other items do not. I said that these figures would be provided for the record, and also promised to send copies directly to you. These materials are attached.

You will note that under the Administration's proposals, the projected FY 1971 costs are \$10.8 billion, not the \$9.1 billion shown on page 23 of the blue pamphlet prepared by the Committee staff. This is because the \$9.1 billion figure includes only the new, additional costs of non-maintenance payment items, such as administration. The \$10.8 billion figure includes total program costs. In the attached table, the additional cost of the Administration's proposals over expenditures under current law are shown, item by item, in a separate column.

You also asked about Medicaid. The estimate of total Federal Medicaid payments for FY 1971 is \$3.0 billion; the estimate for continuation of the current Medicaid program in FY 1972 is \$3.2 billion. We are committed, as I'm sure you recall, to proposing a Family Health Insurance Plan which will not increase Federal expenditures over and above what we would spend under current law.

I sincerely hope that this answers your request, and I apologize for the delay. I look forward to working with you and your colleagues on this very important legislation.

Sincerely,

ELLIOT RICHARDSON,
Secretary.

COMPARISON OF COSTS OF MAINTENANCE PAYMENTS, RELATED SUPPORT ACTIVITIES, AND FOOD STAMPS
UNDER CURRENT LAW AND ADMINISTRATION PROPOSALS

[In billions of dollars]

Maintenance payments	Fiscal year 1971			Fiscal year 1972		
	Current law	H.R. 16311 as amended	Difference	Current law	H.R. 16311 as amended	Difference
Payments to families:						
Direct payments.....	(1)	4.2		(1)	4.1	
Payments to States.....	(1)	.8		(1)	.9	
Subtotal.....	2.8	5.0	2.2	3.2	5.0	1.8
Payment in adult categories.....	2.2	2.8	.6	2.4	3.0	.6
Savings clause.....	(1)			(1)	.1	.1
Total maintenance payments.....	5.0	7.8	2.8	5.6	8.1	2.5
Related support activities:						
Administration.....	.3	.6	.3	.3	.6	.3
Training.....	.1	.3	.2	.1	.3	.2
Child care.....	.1	.5	.4	.1	.5	.4
Total, related support activities.....	.5	1.4	.9	.5	1.4	.9
Total, maintenance payment and support activities.....	5.5	9.2	3.7	6.1	9.5	3.4
Food stamps.....	1.2	1.6	.4	1.9	2.3	.4
Grand total.....	6.7	10.8	4.1	8.0	11.8	3.8

1 Not applicable.

Note.—Food stamp costs for both current law and H.R. 16311 assume enactment of the administration's proposed food stamp legislation. Additionally, since the fiscal year 1972 President's budget has not been prepared, estimates for training and child care are based on a level cost assumption.

Senator BYRD. For fiscal year 1971, the grand total is \$10.8 billion. For fiscal year 1972, it is \$11.8 billion.

Senator WILLIAMS. The figure that passed the House was projected at \$8.2 billion, is that correct?

Senator BYRD. I am not certain what the figure that was passed by the House.

I thank the Senator from Nebraska.

Senator CURTIS. You are most welcome.

FEDERAL-STATE COST SHARING FOR SOCIAL SERVICES

Mr. Secretary, are these social services provided on a cost-sharing basis with the State, or is that entirely Federal planning?

Secretary RICHARDSON. They would all be on a cost-sharing basis.

Senator CURTIS. What would be the percentage?

Secretary RICHARDSON. The percentage varies. The basic Federal matching share is 75 percent under existing law. We would close the end on Federal contributions by providing only a particular appropriated sum in a given year, as distinguished from what we do now, which is to pay 75 percent of whatever the States elect to expend.

Senator CURTIS. This would be 75 percent, but it is not open end, is that right? Seventy-five percent Federal, but it is not open end?

Secretary RICHARDSON. It is not open ended as we propose it, no.

Senator CURTIS. Now, I have some questions about the social services, but in connection with dealing with the States, I would like to ask you a couple of questions: One, how are the States going to be compelled to continue the State supplement that we have talked about?

Secretary RICHARDSON. The States establish their own benefit levels now. They have shown no tendency to decrease them, and we have supposed that they would at least maintain aggregate benefit levels.

Senator CURTIS. Yes. But are they not required to continue the State supplement?

I thought they were required to continue State supplement.

Secretary RICHARDSON. They are; that is a condition of their receiving grants under the services program or the basic cash payments program. This is on page 26 of the bill, section 451:

In order for a State to be eligible for payments pursuant to Titles V, XVI, XIX, or XX, with respect to expenditure for any quarter . . . it must have in effect an agreement with the Secretary under which it will make supplementary payment, as provided in this part, to any family residing in the State other than a family in which both parents of the child or children are present, and neither parent is incapacitated.

Senator CURTIS. And that is enforced by empowering the Department or the Secretary to withhold all Federal funds for several programs, is it not?

Secretary RICHARDSON. Yes.

Senator CURTIS. Is this requirement for a limited number of years, or is that from now on when the Federal law is changed?

Secretary RICHARDSON. That presumably would apply, Senator, as long to the law continues in effect. The other side of this requirement, of course, is the hold-harmless clause which we previously discussed.

Senator CURTIS. And would the grandfather clause that would be in this proposed act, that would be binding on the States, too?

Secretary RICHARDSON. Yes. I caution you, though that we have not written the statutory language for the grandfather clause yet. I think we would very well write it in a manner that would permit a State, if it chose to scale down or to eliminate the UF category, to do so at its own option. We are trying to mitigate the impact of language submitted to the committee in June that would eliminate any Federal participation in supplementation to the unemployed father category.

Senator WILLIAMS. Would the Senator yield at that point?

Senator CURTIS. Yes.

Senator WILLIAMS. That raises a point. We have had two or three Governors call and ask how the grandfather clause would work and also how some of these other proposals will work. Would it be possible for you to submit to the committee, to the chairman of the committee, in written form, all of your recommendations both as to grandfather clause or any other changes that you might have suggested that you are going to send, so that we can have them printed as a supplement to your earlier report? Then when the public witnesses come to testify, they will know the exact language of the proposals you are making?

Secretary RICHARDSON. Yes; we will do that just as soon as possible.

Senator WILLIAMS. Could you get that to us early next week?

Secretary RICHARDSON. On the grandfather clause provisions, yes.

Senator WILLIAMS. No; I meant when could you get all of whatever changes and amendments you want to your amended version so we could have them printed as a supplement? The reason we want them, it would help us expedite the dates that we get to some of these other witnesses.

Secretary RICHARDSON. We can get to the committee early next week, any language changes that have been identified in one way or another in the hearings. Some requests for data of one sort or another will take longer.

Senator WILLIAMS. I was not requesting the data. I am merely suggesting any amendments you might have to the amended version of the bill, if we could have that so we can have it printed.

Senator MILLER. If the Senator will yield at that point.

The Senator will recall that yesterday, I asked the Secretary if he could give us some options and he indicated that he would do so. This might be helpful information to have at the same time in connection with the public witnesses.

Senator WILLIAMS. Well, yes; that would be, but I was confining this particular request to the administration's recommended changes in the bill itself. Then you can submit these options when you consider them, unless you have one that you are going to specifically recommend. Then we could have before us a clean bill with all the recommendations in it.

Secretary RICHARDSON. I understand.

Senator ANDERSON. And without objection, that will be printed at this point.*

STAFFING FOR SOCIAL SERVICES

Senator CURTIS. Mr. Secretary, with reference to the providing of these social services, that will require a staff of professional people, will it not?

Secretary RICHARDSON. To provide social——

Senator CURTIS. The social services?

Secretary RICHARDSON. Yes.

Senator CURTIS. About how many persons are on the welfare staffs at the local level now?

Secretary RICHARDSON. About 85,000. This, of course, includes people part of whose work involves a determination of eligibility.

Senator CURTIS. Not all of those 85,000 are trained social workers, are they?

Secretary RICHARDSON. No.

Senator CURTIS. Well, is it not true that there is quite a large percentage of the welfare staffs at the community level that is not trained to provide the type of services that you envision in this new plan?

Secretary RICHARDSON. That is true. I think, though, I ought to add here, Senator that we are now, under Federal law, contributing Federal funds for 75 percent of State expenditures for social services, the same kind of services we are talking about here. We have submitted a report to the committee, which I referred to earlier today, on what is being done under the earlier social services amendments adopted by the Congress. The so-called social services amendments before you now, would not establish a new kind of service, but a new basis for Federal participation in the funding of presently available services and an effort to get States and localities to consider how to integrate these services more effectively. The problem, to a large extent, is the fragmentation of provision of services. That is the really innovative thrust of the bill.

* As of November 4, 1970, the material referred to had not been received from the Department of Health, Education, and Welfare.

Do you see the charts on the easles behind the bench? They were prepared by Mr. Simonds. I think he could explain, if you would like, how we visualize this attempt to reduce the fragmentation of services.

Senator CURTIS. I am sure I would be happy to have it and I think it would be helpful material in this record. The questions I had in mind dealt with size of staff and whether or not there would be some shift from the present welfare dispensers, let us say, over to this new system. Either way?

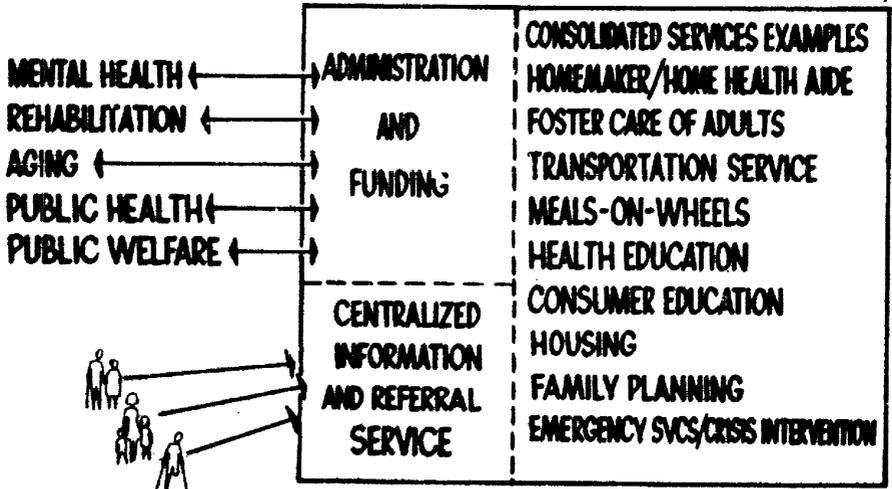
Secretary RICHARDSON. Welfare offices are now increasingly tending to separate payment from the services function. If the family assistance legislation is adopted, that separation would become complete. Some people now in welfare offices would be absorbed into the local payment offices set up under the family assistance plan. Others would continue to provide social services through State and local services offices. It is the social services effort which I think Mr. Simonds could describe, either now, or at whatever point would be most helpful.

Senator ANDERSON. Why not do it now?

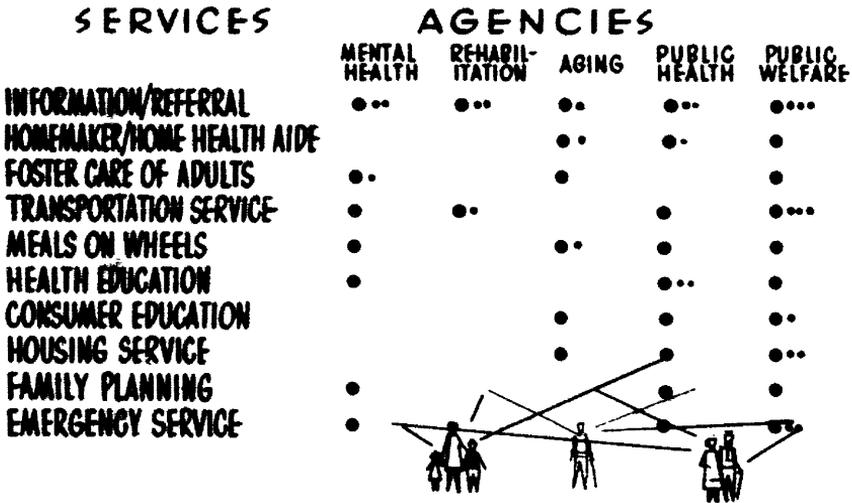
Senator CURTIS. I would be happy to hear it.

(Charts relative to the forthcoming testimony follow:)

EXAMPLES OF DELIVERY OF SERVICES TITLE XX POTENTIAL

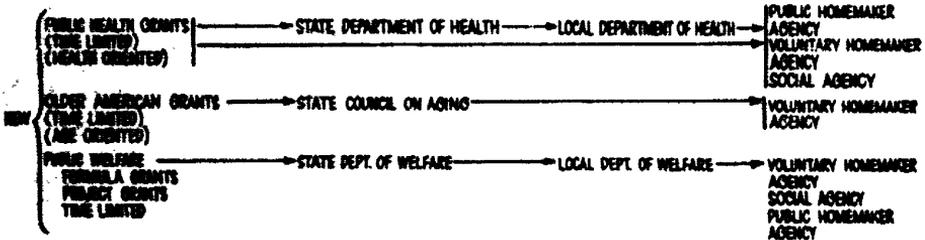


EXAMPLES OF PRESENT DELIVERY OF SERVICES



HOW FUNDS FLOW TO HOMEMAKER SERVICES

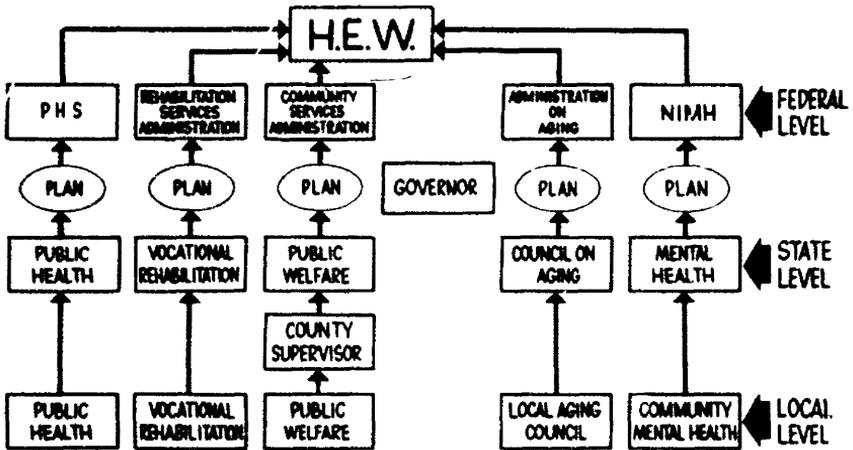
CURRENT FLOW



TITLE XX POTENTIAL FLOW



CURRENT FLOW OF STATE PLANS FOR NEW PROGRAMS



Mr. SIMONDS. Mr. Chairman, one of the major thrusts of the proposal you have before you in title XX is to provide better accountability, better integration of services, and a simplification of the administration of the several service programs that HEW funds. One chart shows the present agencies at local, State, and Federal levels relate to one another; how they are operating essentially in independent parallel lines; and the limited amount, if any, of coordination, planning, and integration that takes place at both the local and State levels. You will see that five typical HEW programs—namely, community mental health centers, local aging councils, the public welfare system, vocational rehabilitation programs, and the Public Health System—have their own separate administrative lines, their own legislative authority and funding base, and their own rules and regulations. Only one, public welfare, is, in 21 jurisdictions, really administered locally. In 33 jurisdictions, the public welfare system is administered; by the State agency.

In accordance with the regulations laid down independently by the various HEW agencies, the local and State agencies develop independent plans. Those plans—in this case five, and there are many more in HEW—go separately and independently into HEW agencies for approval. This provides little opportunity for real integration of the plans. Many States are making a very great attempt to coordinate their health, education, and welfare programs more effectively. Hardly a week goes by that we do not hear from a major State official or a Governor's office asking for some assistance in helping to reassess their human services programs and better plan for their prospective integration.

The proposal before you encourages consolidation. It does not require consolidation. To assist local officials and the Governors' offices assess who is doing what in the human services area and how well are

they doing it, whether they are effective, the bill provides for Government assistance grants by the Secretary to local and State elected officials and to tribal councils in Indian reservations. This provision would permit the elected officials to develop planning and coordination capability in their offices which would assist them in pulling these programs together. The law would permit them to develop a consolidated plan, which would move from the local service area to the State and to HEW for approval, to replace the independent plans that now exist.

Last night I was looking at the State of Florida's plans, and I learned that they are doing precisely this kind of thing. The present law will permit States to attempt it, but until we have authority that will permit a single, consolidated plan to come into the Federal agency, instead of separate plans, we will have to require States to send in their separate, independent plans. This limits the degree to which effective programing coordination can be accomplished.

The current system tends to perpetuate a service program that looks at people who need help in terms of the specific program one is offering. It tends to encourage us to define problems in terms of the agency providing service.

The potential plan permits us to look at the individual human problem and then draw in, from the areas of services that exist throughout HEW programs, services tailored to the problem the individual has.

Senator CURRIS. In referring to social services, I think of the type of service when the social worker contacts the person or the family involved. How does the proposed social services and the reorganization shown on the charts fit together? I am not really sure I understand that.

Mr. SIMONDS. The organization really means little unless there is some positive impact on the life of the person who needs help. This proposed plan permits, as in the case of Florida in the plan I saw last night, the development of a community-based service system which has in it all of the programs that are needed to provide a balance of services to people with problems, whether they be health, manpower, education, child care, protective services, parent-child counseling, or whatever. That prototype provides for one individual contact point—not two, three, four, or five, among which an individual may have to shop now—but one individual contact to whom he can relate and who then puts him in touch with whatever program is needed to solve his problem.

Senator CURRIS. I am interested in that, because I have had occasion several times in the last 2 or 3 years to assist citizens of the District of Columbia with their problems. It is not uncommon for someone to go to a certain office, and it may be a general welfare office, wait in line a long time, and then when he comes near the end, he is told, to go to another building and see somebody else. That requires another day of missing work.

Mr. SIMONDS. Yes.

Senator CURRIS. That is not uncommon in the District of Columbia. Now, how will this reach that problem.

Mr. SIMONDS. That situation is not atypical, Senator, and it is little short of chaotic in some communities, where one has to shop among several agencies, sometimes scattered across town. It often means wait-

ing half a day to get the answer. If I may, we have a chart that is intended to show the chaos. Perhaps we can skip that one.

Senator CURTIS. I want to see the answer. I have been looking at the chaos for years.

Mr. SIMONDS. Right. This depicts a community services center where the programs are brought together, where the individual—families, aged, children, disabled—whoever needs help, comes to one central information and referral service. An individual there responds with and brings to bear whatever service this individual requires. The services are there in that location, or at least, if they are not there in that location, the applicant is assisted by this person to get where that particular service is. So they do not ask, as is current practice, for a public health service or a mental health service or a rehabilitation service, any one of which, perhaps, can and do provide the kind of services needed. There is quite a bit of duplication, incidentally, of the services offered by the different existing service agencies. Under our proposal these separate service agencies would provide their resources and funding to the consolidated community services program and services would be available on a nonduplicative or a nonoverlapping basis to the person in need of them.

Senator CURTIS. Does this provide, once these social services or special services are established, so far as the individual or the family having a problem, that they just have to contact one person?

Mr. SIMONDS. Yes, sir; that is the ultimate goal.

Senator CURTIS. But that person or that office will not process their applications for benefits, or will they just advise them where to go?

Mr. SIMONDS. We hope that our better service system would mean that they can get the answer at that one location to the question of what is available to them and whether or not they are eligible for those services.

Senator CURTIS. So you are providing for a social service for the individual citizen or the family with a problem, even though the payment is processed elsewhere, an answer can be given at the first stop so far as the family or the individual is concerned?

Mr. SIMONDS. Yes, sir; that is our goal. We have many steps to take and obstacles to overcome in the process. We do not expect to achieve the goal overnight, but that is exactly what we envisage.

Senator CURTIS. Do you need new law?

Mr. SIMONDS. We need the welfare reform legislation before you. It would give the State and local agencies the additional flexibility that they believe they need to integrate their human resource programs.

Secretary RICHARDSON. Excuse me, Senator; might I interject a thought here? The principal need for a new law pertains to development of consolidated plans. You could do this now in theory by fitting together various kinds of authorities and agencies and thereby set up this kind of system. But one of the great obstacles to accomplishing this is the multiplicity of Federal requirements that attaches to all the separate categorical grant-in-aid and project grant programs. This accounts for the provisions written into this bill that would permit a Governor to file a consolidated plan, under which the consolidated plan of the State would in turn be based upon consolidated area plans within the State. This is shown, as Mr. Simonds is pointing out now, on the earlier chart.

To that extent the bill would be of very substantial assistance in furthering consolidation.

I might add, as long as I have interrupted, that we are discussing an aspect of the whole problem of social welfare services that I saw from a very different perspective than I saw when I worked in HEW in the 1950's. When I became Lieutenant Governor of Massachusetts in 1965, Gov. John Volpe delegated to me responsibility for the general supervision and coordination of health, education, and welfare programs at the State level. It became so apparent in the course of a few years that it was exceedingly difficult to fit the programmatic pieces together. As a result I became the author at that time of a bill called the Community Services Act of 1966, which I brought down to Senator Lister Hill, among others, and which was introduced by him at that time. It aimed in the same general direction as the bill before the committee, namely that of encouraging the State to develop at the State level capacity to put the programmatic pieces together and work out a consolidated plan of services. It was designed also to stimulate local, county, or municipal planning of the same kind. I can only say that I was delighted to discover that the administration's social services amendments were providing new initiatives along very similar lines and toward the same general objective. I can take not credit at all for what is before the committee now. It was submitted to the Congress, I think, on June 23, which was on or about the same time that I came back to the Department of Health, Education, and Welfare. But I can certainly reinforce from State level experience the importance of doing something like this. As it is now, if you try to find your way among the various provisions, programs, and regulations in order to do what is shown on that chart of integrated services Mr. Simonds was describing, you get lost and frustrated. I believe that this is an exceedingly important part of the legislation before you.

I would just like to add, Mr. Chairman, a request that the committee insert at this point in the record a letter to me from Mr. Charles A. Byrley, director of the National Governors' Conference. I would like to read one pertinent paragraph :

Proposals contained in the Social Services Reform amendments are particularly encouraging in this regard—"this regard" refers to State government planning and management systems for welfare services in the administration of grant programs—"Specifically, the proposals to allow States to submit a consolidated HEW plan" with limited authority to transfer funds between HEW programs, which would consolidate the social services program, and proposals to encourage and assist government planning and management of human services programs, all embody goals long sought by governors and other State officials.

I shall not read the rest of the letter, but that is, I think, pertinent.

Senator ANDERSON. Without objection, that will be inserted in the record.

Secretary RICHARDSON. Thank you, Mr. Chairman.
(The letter follows:)

NATIONAL GOVERNORS' CONFERENCE,
Washington, D.C., July 30, 1970.

HON. ELLIOTT L. RICHARDSON,
Secretary of Health, Education, and Welfare,
Washington, D.C.

DEAR MR. SECRETARY: We have followed with interest recent efforts by the Department of Health, Education, and Welfare to improve the administration of federal grant programs. These improvements plus your recent legislative pro-

posal to encourage and utilize state government planning and management systems hold considerable promise for improving the effectiveness and responsiveness of these programs to the particular needs of people in each State.

Proposals contained in the Social Services Reform amendments are particularly encouraging in this regard. Specifically, the proposals to allow States to submit a "consolidated HEW plan" with limited authority to transfer funds between HEW programs; which would consolidate the social services programs; and proposals to encourage and assist state government planning and management of human service programs all embody goals long sought by Governors and other state officials.

In addition, the progress being made by your Department in streamlining the grant-in-aid programs by, for example, eliminating unessential paper work is commendable.

As you are aware, many Governors have been very active in improving the planning and management capabilities of state governments. These efforts have included the establishment of state planning offices and the adoption of Planning, Programming and Budgeting (PPB) systems. In addition, over forty States have established uniform planning and service areas within their States to facilitate the delivery and coordination of state and federal services.

Governors and other state officials are eager to work with both the Department of Health, Education, and Welfare and the Congress toward achieving a greater synthesis of the policy development, planning and management activities between the federal and state government levels.

My staff and I stand willing to assist you and the members of the Congress in any way possible in this endeavor and in further refining the proposals now under consideration.

Sincerely,

CHARLES A. BYELEY.

Senator CURTIS. Is what you are saying that prior to the time of improving the services as far as individuals of families are concerned so that they can deal with one person or one office and get answers, a necessary step ahead of that is a reorganization of plans within a State? Is that right?

Secretary RICHARDSON. Yea. It is not an absolutely indispensable step, but it would greatly assist States in accomplishing that objective. It is exceedingly hard to do under existing law and what we propose would go a long way toward facilitating this kind of progress.

Senator CURTIS. What you propose in order to get those programs realigned, reordered, is brought about by what is referred to in that chart as Government's assistance, both to the State level and then again to the local level?

Secretary RICHARDSON. Yes. We would do two things. First, we would eliminate the restrictions which prevent a State from submitting a single plan now for that whole range of services. As it is now, the State has to submit a group of individual State plans, designating in some cases the public health agencies, in some cases the State mental health agency, in other cases the public health and welfare agency, as the single agency responsible for the administration of that plan. In each case, there are separate matching provisions, separate requirements that the plan must meet in order to be approved by the Secretary of Health, Education, and Welfare, and so on. So the first thing we are doing, and perhaps the most important, is to allow a State, if it so elects, to submit a single consolidated plan embracing any combination of health, education, and welfare services. In that case, the single plan governs. The State Governor, instead of designating a whole series of agencies each having separate responsibility, would designate a single agency. Such an agency might be one of the so-called umbrella agencies now developing in many States with general health, education, and welfare responsibilities.

Second, we would couple the authority of the Governor to develop and submit such a single plan with authority to transfer funds among programs. This fund transfer may include up to 20 percent of the amount allocable to the State, but in no case may it be more than half as much as a given program would otherwise receive.

Senator CURTIS. Is that a transfer of 20 percent of the allocation for administrative purposes or for benefits?

Secretary RICHARDSON. No; I am sorry, Senator. This would not apply to benefits to individuals under the open-ended program.

Senator CURTIS. This is the budget for administering the program?

Secretary RICHARDSON. Yes; but it also includes costs of delivered services. Take community mental health staffing, for example. We provide funds under the Community Mental Health Act to help pay for the staff running the centers. Now, suppose a State felt that a priority social problem in the State is alcoholism. Here we have a problem which contributes greatly to the size of the welfare rolls, to the breakup of families, to the costs of service in mental hospitals. The State might decide that it wanted to augment the resources of its community mental health program by transferring funds available to it under the social services appropriations in this act, title XX, in order to provide more adequate staff in its community mental health centers for the treatment and rehabilitation of alcoholics. What we are saying is that the State could take up to 20 percent of its social services funds and transfer this into community mental health as long as the total transferred into the community mental health program was not more than half as much as that program would otherwise receive.

This is, we think, a very important measure in increasing the flexibility for States in choosing their own priorities under the consolidated plan, and again, helping to fit the pieces together more efficiently.

Senator CURTIS. Will this plan call for employing additional numbers of trained social workers?

Secretary RICHARDSON. It does not demand it. In fact, the concept is rather to make more effective use of the resources we have by cutting down, as you pointed out earlier, the number of doors that an individual has to knock at in order to get help. At the first door in the neighborhood, in a conveniently situated place, there should be someone who is sympathetic, understanding of human problems, and also knowledgeable about the capacities of specialized agencies and professionals—knows where they are, how to call upon them. The most frequently called upon services ought to be available in the neighborhood, in the same place where the counselor and referral person is. Other less frequently called upon skills and services could be more centrally located.

As Mr. Simonds pointed out, all of the programs we now have tend to have an intake point with someone who is responsible for counseling and referral. All these separate agencies have people with that function. They may have been trained as social workers; they may have been trained as public health nurses or as vocational rehabilitation counselors. But at the first point of contact with the family or the individual they are all doing about the same thing. The thrust of this is to make more effective use of available manpower rather than to create a structure that would employ more people.

I will stop there.

Senator CURTIS. Finish what you were saying.

Secretary RICHARDSON. I was just going to say that we think we would help to bring this about by creating the opportunity for States to override the restrictions under existing law that force them, in effect, to compartmentalize services because of the requirements of separate State plans, separate regulations, separate matching requirements, and so on. You notice, too, that funding is done separately for separate training programs and separate research and training programs, category by category, across the whole range of HEW programs. We are not at this stage going to require States to submit consolidated planning. But we would like to give them the opportunity to do it.

I was going to say earlier that part of the possibility of achieving this goal, then, depends upon permitting a State to file a single State plan. The other facilitating factor is providing some financial support for the development of the planning staffs that are necessary in order to put the pieces together at the State and the local level.

Senator CURTIS. That would be done on a grant basis under the Government assistance part of these amendments. Is that something new?

Secretary RICHARDSON. Yes, sir; that is new.

Senator CURTIS. How much is authorized for grants?

Secretary RICHARDSON. I think we have said there is a proposed amount for the first year of \$30 million. There is no authorization figure in the bill as such. But that was our budget estimate for what we would want in the first year.

Senator CURTIS. Well, the course this takes, then, will depend upon what the States do?

Secretary RICHARDSON. Yes; it would. May I add, Senator, I just learned yesterday evening about what your own State is doing in an area that can be exceedingly important in relation to what we are talking about. This is in the development of an accounting system which, for the first time, enables the Governor of Nebraska to know exactly what Federal funds from the Department of Health, Education, and Welfare are being received by all institutions in Nebraska—State, local, and private; hospitals, universities, and colleges, as well as State and local governments. This is through a new plan now being tested in Nebraska, the first State where it is being tried out, involving a single letter of credit for funding all of the HEW programs in the State. Heretofore, the system has been one under which as much as a billion dollars in cash from HEW has been in the pipeline at a given time. The use of this kind of approach has already cut this down; instead of a hundred different channels of money, we have been cutting it down so it is around seven or eight. But Nebraska is the first State where it has been cut down to one. This is because the State itself has an accounting system that can handle it. But it has the side effect of enabling the Governor of Nebraska, for the first time, to know which programs in his State are receiving Federal funding through HEW and all its 260-odd programs. That in turn has implications for the kind of planning that we are talking about here. It really is a quite dramatic illustration of what a management tool can itself do in laying the foundation for the more effective planning and delivery of services.

That kind of approach now being taken in Nebraska, extended to other States as it can be and will be in time, and supplemented by the kinds of authorization and support to State and local government that are contemplated by these provisions of the services amendments, can, I think, for the first time make it possible to reverse the process of proliferation, complication, dispersion, and fragmentation of functions and services that has been going on for the last decade or so.

Senator CURTIS. Now, from the standpoint of the number of employees, if this is a success, it will require some more trained social workers, will it not?

Secretary RICHARDSON. It would be a success in the terms that I have tried to describe even if no more were employed.

Senator CURTIS. Well, what is anticipated?

Secretary RICHARDSON. We have not made a projection, because we are really talking about State programs. The employees are State and local employees. The rates at which the numbers of employees have been increasing are already quite rapid in some States under the open-ended matching we have now for social services. I do not think we have any possible way of knowing how fast the States would want to expand services. In any case, the thrust is not so much the expansion of services as it is the more efficient use of resources, including the skilled people we now have.

Senator CURTIS. I do not quite understand how we avoid keeping this open ended.

The Federal Government pays 75 percent of the cost of social services. It would be up to the States to avail themselves of grants or to do it on their own, to reorganize so they can do what they feel is a better job. Now, if in the course of that, they decide they want more employees administering welfare, trained social workers as well as other types of employees, is that a continued open-ended arrangement as far as this is concerned?

Secretary RICHARDSON. Not under this bill. The open-ended basis of the program has resulted in an enormous rise in Federal costs. It has gone from roughly \$300 million or so to a billion and a half dollars in Federal expenditures in the last 4 years. And a very large proportion of it has gone to a relatively few States, with California in the lead. We have somewhere, and I will ask one of my associates to see if he can find it, a tabulation showing average social service expenditures per individual on the rolls in the States. The range is very wide, with an average expenditure of roughly, as I recall, \$17. Now, what we have proposed under the amendment before you is an appropriation to the States of fixed amounts which would be based in the first instance on what the States are estimated to spend in fiscal 1971. That amount could then be increased year by year as the Congress saw fit. But there would be an additional amount, a sort of equalization fund, which we propose be in the amount of some \$50 million in the first year, to help bring the States which are below average expenditures up to the national average. This would be distributed among those States on a prorated basis. Our proposal is that the \$50 million amount for the first year would be augmented by \$50 million increments over the next 4 years, which would mean that by the end of the fourth year, the States below the national average in provision of services would be up to the average. So we

would, in effect, be slowing down the rate of growth of service expenditures in the two or three States that are spending now a third of the whole nationwide amount.

The tabulation I referred to is at page 107 of the committee print, which showed California with average expenditures per poor person of \$80, at the top of the list. Kentucky, South Carolina, Mississippi, and Alabama are at the bottom, with \$2 average.

My own State of Massachusetts is just \$1 above the average, at \$15 per person.

If we leave it purely open ended, the States spending the most are likely to get even further out in front. Federal funds by the requirements of the open-ended appropriation, are forced to follow these States' decisions to increase expenditures. The other States would fall further behind. The language you have before you would try to redress this.

Senator CURTIS. The bill provides for supplying social services to persons who are not on public welfare, right?

Secretary RICHARDSON. Yes; although except for certain basic services, they would be expected to pay a fee for services according to a graduated scale geared to their incomes.

Senator CURTIS. What are the social services? Would you enumerate the principal ones that we are talking about, that might be extended to people who are not on public welfare?

Secretary RICHARDSON. To people who are not on public welfare?

Senator CURTIS. Yes.

Secretary RICHARDSON. The ones that most often would be required in that case would be assistance in a problem of alcoholism, perhaps family planning, certainly adoption services, sometimes child placement services, and, depending on how you classify it, some forms of mental health services. Then for our older people, homemaker services. You have as good a list as I think is available on the last chart shown. Some of these, as you can see, are the kinds of things that could be called upon by people who are above the level of needing income support, but still need some kind of help.

Senator CURTIS. Would that be extended to persons above the poverty level?

Secretary RICHARDSON. Yes. People would not be disqualified from eligibility for services because they were above it. But, as I said, for people above the poverty level or the level of welfare eligibility, there would be fees established. These might, depending on the nature of the service, be graduated to reflect income.

Senator CURTIS. That is all I have on this social services part.

Senator ANDERSON. Senator Miller?

OMISSION OF RESIDENCE REQUIREMENTS

Senator MILLER. On page 257 of the committee print, 117 of the bill, there is language in here that I would like to have you elaborate on, Mr. Secretary. It says that the Secretary shall not approve any such plan if there is imposed as a condition of eligibility thereunder, any residence requirement which denies services to any individual present in the State.

I presume the source of that language may have been a recent Supreme Court decision. But I am wondering how far we go just because

somebody happens to be present in the State, unless, for example, it is an emergency situation. What if they happen to reside over in western Nebraska and they are present in Iowa? Are they going to be certified by Iowa in this situation?

Secretary RICHARDSON. What we visualize here is help to people. We are not talking, of course, at the moment about income benefits—which in principle should be available to people who need them. Certainly among those groups who were visualized, when that language was written, are migrant workers who may need services while in the State. And we believe that if the Federal Government is going to pay 75 percent of the bill, then whoever needs help in the State should get it without reference to where they happen to come from.

Senator MILLER. I am afraid you beg the question a little bit when you say whoever needs the help in the State, because in the example I give you, I think it could be equally said that the person needs the help in the State of Nebraska where they reside. They happen to be over in Iowa on a little trip of some kind and there they are.

I do not think anybody is going to say they do not need the services. The question is where are they going to get them? This is a pretty broad suggestion that just because they happen to be present in the State, therefore they are going to be covered.

This troubles me.

Now, I do not want to get down to the nitpicking level on this thing, and I think the migrant worker's problem is one that most of us recognize. But it just seems to me that this ought to be tightened up a little bit, if not by legislation, certainly by some kind of a statement to the committee indicating the kind of regulation your Department might put out.

Secretary RICHARDSON. We will be glad to look at that more closely. I think it depends somewhat, Senator, on the nature of the services in question whether it would be reasonable to send the individual back home.

On the whole, though, I would imagine that things would work out pretty evenly between Iowa and Nebraska. Sometimes Iowa agencies might take care of Nebraska citizens and vice versa.

Senator CURTIS. Would the Senator yield?

Was not the case in court based upon someone who did not have an established or at least admitted residence elsewhere, and not somebody who happened to be away from home, who had a residence that he could return to?

Secretary RICHARDSON. The court cases, I think, involved eligibility for income maintenance. The Supreme Court of the United States struck down a requirement of a duration of residency in a given State before an individual could become eligible for payments.

We have a somewhat different problem here.

Senator CURTIS. It was an individual, was it not, who did not have another residence to which he could return?

Secretary RICHARDSON. I did not know there had been a—

Senator CURTIS. I did not, either, but I mean there is a difference between someone who has not been in a new State for a required period of time and someone who just happens to be away from home.

Secretary RICHARDSON. That is true. In any case, the Supreme Court, in a case called *Shapiro v. Thompson* in 1969, struck down the

kind of clause that used to be common in welfare income benefit laws, to the effect that you had to live in a State longer than 6 months or a year before you could receive public assistance. That is no longer constitutional.

I do not know of any court decision that deals with eligibility for the kinds of services that we are talking about at the moment.

In any event, I think the problem would be worked out on a fairly practical level as to where the best place is for the individual to be served.

Senator MILLER. Well, I hope something can be done along this line, because it appeared to me that whoever drafted this provision might have seized upon that Supreme Court decision and just decided to eliminate any consideration whatsoever except presence.

I think that goes too far. A possible approach to reconciling the problem I have with it would be to permit emergency-type services to be rendered. I do not think anyone would object to that. That might limit some of the problems of abuse that might arise.

You indicated that you would look into it.

Secretary RICHARDSON. Yes.

Senator MILLER. See what you can give us by way of either changes in the draft or regulations to amplify it, but I do think the word "presence" is not what we are after.

(A departmental response follows:)

After serious reconsideration, the Department of Health, Education, and Welfare concludes that the language incorporating the term "presence" into the proposed legislation is the only equitable way of treating social services eligibility.

Substantial differences are involved between these social services and benefits provided as cash payments. While efficient administration and fairness are valid reasons for requiring residency for cash-benefit eligibility, the same rationale does not justify a residency requirement for noncash services. Such services are often of an emergency nature and are designed to provide help when help is needed. Language that would effectively require individuals to return to their home State or go without help would be inconsistent with the purpose of this part of the program.

Consequently, the Department recommends that the committee accept "presence" as the language to be used.

DEFINITION OF DISABILITY

Senator MILLER. Mr. Secretary, the draft bill requires States to aid any person who has a severe disability, leaving the definition up to the Secretary. I wonder if you would be good enough to submit to the committee a draft of the kind of language you would use, probably by regulation, to define severe disability?

Secretary RICHARDSON. I would be glad to do that.

I will just say that we have in mind the kind of standard that is applied now for purposes of disability determination under the Social Security Act; that is, the disability insurance provisions of that act.

Senator MILLER. But you do not use quite the same language as the Social Security Act.

Secretary RICHARDSON. No.

Senator MILLER. Could you use the same language so we would not have any problem about differing interpretations if we have precedence under the Social Security Act?

Secretary RICHARDSON. Yes. I cannot tell you at the moment why this term was used. There is, of course, a large body of precedent

under the Social Security Act for determination of disability. The determinations, in individual cases, as you know, are generally made for the social security system by vocational rehabilitation agencies. This, of course, has the dual advantage of calling upon their expertise and also identifying for them individuals who could benefit from vocational rehabilitation services.

Senator MILLER. I think it would be helpful if we had identical language so that the precedents could be readily made, unless there is some compelling reason for change.

Secretary RICHARDSON. None occurs to me. I think the point is well taken.

Certainly, we would want the precedents to be applicable in both cases.

Senator MILLER. Thank you.

(The Department subsequently supplied the following response to the point raised :)

DEFINITION OF DISABILITY

The Department of Health, Education, and Welfare intends to follow a definition of "disability" that would be very close to that used under title II. The Department endorses and expects to implement the language appearing in the House Committee on Ways and Means Bill Report, page 41 :

The committee expects that severely disabled will be interpreted to mean persons whose physical or mental conditions substantially preclude them from engaging in gainful employment or self-employment. It is also expected that the disability is one that has or can be expected to last for a period of 12 months or result in death. Thus, the definition of severely disabled would follow closely the definition now used for disability insurance benefits under title II.

Your committee understands that all but a very few States use essentially the same definition of blindness insofar as central visual acuity is concerned (i.e., less than 20/200 in the better eye with maximum correction). It accordingly believes that a uniform national definition is warranted at this time.

Senator MILLER. Along similar lines, the bill permits you to define blindness for determining persons' eligibility. Would you be good enough to give us the language you propose to use, or do we have a similar situation here, where we take the same precedents under other law?

Secretary RICHARDSON. Yes, I think there is a provision.

I refer to the middle of page 41 of the House committee report. Both the definitions of disability and blindness are dealt with here. They say that they understand that all but a very few States use essentially the same definition of blindness insofar as central visual acuity is concerned—that is, less than 20-200 in the better eye, with maximum correction. They accordingly believe that a uniform national definition is warranted at this time.

I would expect that the Department would adopt as its definition that which is referred to here and which is being currently applied in all but a very few States.

Senator MILLER. Thank you.

FAIR HEARINGS IN PUBLIC ASSISTANCE PROGRAMS

Mr. Secretary, former Secretary Finch testified before us in April that under HEW regulations, States would be required to make attorneys available without cost to welfare recipients, beginning July 1

of this year. Mr. Veneman stated at the time that the Department was reviewing that regulation.

Do you know what the present state of that regulation is?

Secretary RICHARDSON. Yes. I will try to restate it. But I think there are others here who could give you a more reliable answer.

Mr. HAWKINS. We have published a proposed regulation in the Federal Register and rescinded the one which was to go into effect on July 1.

Senator MILLER. Do you have the citation of that? Just to save time, would you be good enough to give that to the staff at the conclusion of the hearing?

Mr. HAWKINS. Surely.

Secretary RICHARDSON. It does not go quite as far as what was contemplated at the time of the statement by Secretary Finch. It pulls back somewhat. But the language will show exactly what it does.

Senator MILLER. Do you have a deadline date for comments on that?

Mr. HAWKINS. Yes, and I suspect that deadline is just about over. It was published roughly 30 days ago, shortly before July 1.

Senator MILLER. If you could provide that to the staff at the end of the hearing, I would appreciate it.

(The material referred to follows. Hearing continues on p 750.)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
SOCIAL REHABILITATION SERVICE,
Washington, D.C., May 29, 1970.

PROPOSED REGULATIONS, INFORMATION MEMORANDUM AO-IM-19

To: State administrators and other interested organizations and agencies.

Subject: Proposed regulations on fair hearings in public assistance programs.

Content: The proposed regulations relate to fair hearings requirements under titles I, IV-A, X, XIV, XVI and XIX of the Social Security Act.

They (a) implement the Supreme Court decision in *Goldberg v. Kelly*, 397 U.S. 254 (March 23, 1970); (b) amend current regulations requiring States, effective July 1, 1970, to continue assistance during appeals that involve issues of fact or judgment relating to the individual case and to provide legal counsel to represent claimants at fair hearings (the latter requirement is revoked); and (c) transfer to the *Federal Register* other policies now contained in the Handbook of Public Assistance Administration and revise them to comport with the Supreme Court decision.

Under the proposed regulations, the pre-determination evidentiary hearing, which is constitutionally required by the *Goldberg* case, and the fair hearing before the State agency which is required by the Social Security Act, are combined in a requirement (Section 206.10(a)(5)) of opportunity for a fair hearing, with continuation of assistance in cases involving individual issues of fact or judgment regarding termination or reduction of assistance. Section 206.11 also provides for advance notice and opportunity for conference with agency staff regarding proposed agency action to terminate or reduce assistance. Section 205.10(a)(6) requires provision of information and referral services to claimants to help them make use of any legal services available in the community for representation at fair hearings.

Comment period.—Consideration will be given to comments, suggestions, and objections submitted in writing to the Administrator, Social and Rehabilitation Service, Department of Health, Education, and Welfare, 330 Independence Ave-

nue, S.W., Washington, D.C. 20201, within a period of 30 days from the date of publication in the *Federal Register*: May 20, 1970.

Inquiries to.—SRS Regional Commissioners.

JOHN D. TWINAME,
Administrator.

NOTE.—Also attached for review and comment is a draft statement of criteria for determining when an appeal involves an issue of fact or judgment pertaining to the individual case, as distinguished from an issue of State law or policy. Such criteria would be used in connection with the requirement that assistance be continued during the former type of appeal. Comments on the draft may be submitted during the 30-day period.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, SOCIAL AND
REHABILITATION SERVICE

(45 CFR Parts 205, 206, 220)

FAIR HEARINGS—PUBLIC ASSISTANCE PROGRAMS

Notice of proposed rulemaking

Notice is hereby given that the regulations set forth in tentative form below are proposed by the Administrator, Social and Rehabilitation Service, with the approval of the Secretary of Health, Education, and Welfare. The proposed regulations amend Chapter II by revising section 205.10, adding a new section 206.11, and revoking section 220.25. They also implement the Supreme Court decision in *Goldberg v. Kelly*, 397 U.S. 254 (March 23, 1970).

Section 205.10, applicable to the public assistance programs under the Social Security Act, requires, effective July 1, 1970: (1) continuation of assistance during appeals from termination or reduction actions that involve issues of fact or judgment relating to the individual case, and (2) provision of legal counsel to represent claimants at fair hearings. The proposed regulations retain the first requirement and revoke the second one. They also incorporate other fair hearings policies, currently contained in the Handbook of Public Assistance Administration, and revise them to comport with the Supreme Court decision.

Under the proposed regulations, the pretermination evidentiary hearing, which is constitutionally required by the *Goldberg* case, and the fair hearing before the State agency which is required by the Social Security Act, are combined in a requirement (section 205.10(a)(5)) of opportunity for a fair hearing, with continuation of assistance in cases involving individual issues of fact or judgment regarding termination or reduction of assistance. Section 206.11 also provides for advance notice and opportunity for conference with agency staff regarding proposed agency action to terminate or reduce assistance. Section 205.10(a)(6) requires provisions of information and referral services to claimants to help them make use of any legal services available in the community for representation at fair hearings.

Prior to the adoption of the proposed regulations, consideration will be given to any comments, suggestions, or objections thereto which are submitted in writing to the Administrator, Social and Rehabilitation Service, Department of Health, Education and Welfare, 330 Independence Avenue, S.W., Washington, D.C. 20201, within a period of 30 days from date of publication of this Notice in the *Federal Register*.

Authority: The proposed regulations are to be issued under section 1102, 49 Stat. 647, 42 U.S.C. 1302.

Dated: May 8, 1970.

JOHN D. TWINAME,
Administrator, Social and Rehabilitation Service.

Approved: May 25, 1970.

JOHN G. VENEMAN,
Acting Secretary.

1. Section 205.10 is revised to read as follows:

§ 205.10 FAIR HEARINGS

(a) *State plan requirements.*—A State plan under title 1, IV-A, X, XIV, XVI or XIX of the Social Security Act must provide for a system of fair hearings under which:

(1) The single State agency responsible for the program will be responsible for fulfillment of fair hearings provisions.

(2) Every claimant will be informed in writing at the time of application and at the time of any action affecting his claim:

(i) of his right to fair hearing;

(ii) of the method by which he may obtain a hearing;

(iii) that he may be represented by legal counsel, or by a relative, friend, or other spokesman, or he may represent himself; and

(iv) of any provision for payment of legal fees by the agency.

(3) An opportunity for a fair hearing before the State agency will be granted to any individual requesting a hearing because his claim for financial or medical assistance is denied, or is not acted upon with reasonable promptness, or because he is aggrieved by any other agency action affecting receipt, reduction, or termination of such assistance or by agency policy as it affects his situation.

Under this requirement:

(i) A request for a hearing is defined as any clear expression (oral or written) by the claimant (or person acting for him, such as his legal representative, relative, or friend) to the effect that he wants the opportunity to present his case to higher authority.

(ii) The freedom to make such a request must not be limited or interfered with in any way, and agency emphasis must be on helping the claimant to submit and process his request, and in preparing his case, if needed.

(iii) The claimant must be provided reasonable time in which to appeal an agency action.

(iv) The fair hearing shall include consideration of:

(a) any agency action, or failure to act with reasonable promptness, on a claim for financial or medical assistance, which includes undue delay in reaching a decision on eligibility or in making a payment, refusal to consider a request for or undue delay in making an adjustment in payment, and suspension or discontinuance of such assistance in whole or in part;

(b) the agency's interpretation of the law, and the reasonableness and equitableness of the policies promulgated under the law, if the claimant is aggrieved by their application to his situation;

(c) agency decision regarding:

(1) eligibility for financial or medical assistance in both initial and subsequent determinations,

(2) amount of financial or medical assistance or change in payments,

(3) the manner or form of payment, including restricted or protective payments, even though no Federal financing participation is claimed, and

(4) conditions of payments, including work requirements.

(v) States may respond to a series of individual requests for fair hearings by conducting a single group hearing. States may only consolidate cases in which the sole issue involved is one of an agency policy. If recipients request a group hearing on such an issue the State must grant it. In all group hearings, whether initiated by the State or by the claimants, the policies governing fair hearings must be followed. Thus, each individual claimant must be permitted to present his own case and be represented by his own lawyer.

(vi) The agency shall not deny or dismiss a request for a hearing except where it has been withdrawn by claimant in writing, or abandoned.

(4) Hearing procedures will be issued and publicized by the State agency for the guidance of all concerned.

(5) When a fair hearing, requested because of termination or reduction of assistance, involves an issue of fact or of judgment relating to the individual case (including a question whether State agency rules or policies were correctly applied to the facts of the particular case), assistance is continued during the period of the appeal and through the end of the month in which the final decision on the fair hearing is reached. (If assistance has been terminated or reduced prior to timely request for hearing, assistance is reinstated.) Under this requirement:

(i) the hearing decision itself constitutes the determination as to eligibility and amount of entitlement; such determination may not be considered to have been made at an earlier point;

(ii) assistance is continued in at least those cases where, in accordance with criteria issued by the Social and Rehabilitation Service, there is an issue of fact or judgment in the individual case.

(iii) the agency promptly informs the appellant whether assistance will be continued. A claimant dissatisfied with a local agency determination on continuation of assistance may request and obtain prompt reconsideration by the State agency.

(6) Information and referral services are provided to help claimants make use of any legal services available in the community that can provide legal representation at the hearing.

(7) The hearing will be conducted at a time, date and place convenient to the claimant, and adequate preliminary written notice will be given.

(8) The hearings will be conducted by an impartial official (or officials) of the State agency. Under this requirement, the hearing official must not have been involved in any way with the action in question.

(9) When the hearing involves medical issues such as those concerning a diagnosis, or an examining physician's report, or the medical review team's decision, a medical assessment other than that of the person or persons involved in making the original decision will be obtained at agency expense and made part of the record if the hearing officer or the appellant considers it necessary.

(10) The claimant, or his representative, will have adequate opportunity:

(i) to examine all documents and records used at the hearing;

(ii) at his option, to present his case himself or with the aid of others including legal counsel;

(iii) to bring witnesses;

(iv) to establish all pertinent facts and circumstances;

(v) to advance any arguments without undue interference;

(vi) to question or refute any testimony or evidence, including opportunity to confront and cross-examine adverse witnesses.

(11) Prompt, definitive, and final administrative action will be taken within 60 days from the date of the request for a fair hearing, except where the claimant requests a delay in the hearing.

(12) The claimant will be notified of the decision, in writing, in the name of the State agency and, to the extent it is available to him, of his right to judicial review.

(13) When the hearing decision is favorable to the claimant, or when the agency decides in favor of the claimant prior to the hearing, the agency will make corrective payments retroactively to the date the incorrect action was taken or such earlier date as is provided under State policy.

(14) Recommendations of the hearing officer or panel shall be based exclusively on evidence and other material introduced at the hearing. The verbatim transcript of testimony and exhibits, or an official report containing the substance of what transpired at the hearing, together with all papers and requests filed in the proceeding, and the recommendations of the hearing officer or panel will constitute the exclusive record for decision by the hearing authority and will be available to the claimant at a place accessible to him or his representative at any reasonable time.

(15) Decisions by the hearing authority, rendered in the name of the State agency, shall specify the reasons for the decision and identify the supporting evidence. They shall be binding on the State and local agency. Under this requirement:

(1) no person who participated in the local decision being appealed will participate in a final administrative decision on such a case;

(ii) the State agency is responsible for seeing that the decision is carried out promptly.

(16) The State agency will establish and maintain a method for informing, at least in summary form, all local agencies of all fair hearing decisions by the hearing authority and the decisions will be accessible to the public (subject to provisions of safeguarding public assistance information).

(17) In respect to title XIX, when the appeal has been taken on the basis of eligibility determination, the agency responsible for the determination of eligibility for medical assistance, if different from the single State agency administering the medical assistance plan, shall participate in the conduct of the fair hearing.

(b) *Federal financial participation.*—Federal financial participation is available for the following items:

(1) Payments of assistance continued pending a hearing decision;

(2) Payments of assistance made to carry out hearing decisions, or to take corrective action after an appeal but prior to hearing, or to extend the benefit of a hearing decision or court order to others in the same situation as those directly affected by the decision or order. Such payments may be retroactive in accordance with applicable Federal policies on corrective payments.

(3) Payments of assistance within the scope of Federally aided public assistance programs made in accordance with a court order.

(4) Service costs incurred by the agency, at the applicable matching rates, for:

(i) Providing legal counsel to represent clients at hearings or in judicial review;

(ii) Providing transportation for the claimant, his representative and witnesses to and from the place of the hearing;

(iii) Meeting other expenditures incurred by the client in connection with the hearing.

(5) Administrative costs incurred by the agency in carrying out the hearing procedures, including expenses of obtaining an additional medical assessment.

2. A new section 206.11 is added to read as follows:

§ 206.11. Advance notice of termination or reduction of assistance.

State plan requirement.—A State plan under title I, IV-A, X, XIV, XVI, or XIX of the Social Security Act must provide that, prior to action to terminate or reduce assistance, the State or local agency will give timely and adequate advance notice detailing the reasons for the proposed action, and will give an opportunity for the recipient (or his representative) to discuss his situation with agency staff, obtain an explanation of the proposed action, and present information to show that the proposed action is incorrect. Under this requirement:

(a) at least seven days advance notice of the proposed action must be given;

(b) the recipient may speak for himself or be represented by legal counsel or by a friend or other spokesman; and

(c) the opportunity for conference does not in any way diminish the recipient's right to a fair hearing. (See § 205.10 of this chapter.)

3. Section 220.25 of this chapter is revoked.

Criteria for determining when assistance must be continued pending a fair hearing involving an issue of fact or judgment:

The regulation in section 205.10(a)(5) provides that when a fair hearing has been requested because of termination or reduction of assistance, and it involves an issue of fact or of judgment relating to the individual case, including a question whether State agency rules or policies were correctly applied to the facts of the individual case, assistance must be continued during the period of the appeal and through the end of the month in which the decision on the fair hearing is reached.

This requirement applies to any situation in which there is an issue of material fact affecting termination or reduction of assistance in the individual case, or an issue of judgment in the application of State agency policy to the individual case affecting receipt or amount of assistance. Assistance may, but

does not have to, be continued if the individual is questioning the policy of the State agency or the Federal or State law serving as the basis of the policy. The following examples illustrate the distinction between issues of fact or judgment and issues of agency policy :

1. Issues of fact or judgment :

(a) Issues of fact—

(i) The agency proposes to discontinue APTD on the basis that it no longer considers the recipient permanently and totally disabled. The State's policy is not at issue, but the recipient claims that he is disabled under the State's definition of permanent and total disability. This is an issue of fact to be determined on the basis of the evidence adduced at the hearing.

(ii) The agency proposes to discontinue AFDC—UF to a family on the basis that the father is now fully employed because he works 40 hours a week. The father contends that while he works regularly, he works from 20 to 30 hours a week but not the amount stipulated in the State plan as constituting full employment. This is an issue of fact to be determined on the basis of evidence regarding his working hours.

(iii) The agency proposes to discontinue assistance to an individual on the basis that he is absent from the State and no longer a resident thereof. The recipient claims that although he is physically absent he is still a resident of the State. This is an issue of fact to be determined on the basis of evidence regarding his intent and other factors relevant to a determination of residence.

(b) Issues of judgment—

(i) The local agency proposes to discontinue AFDC to a needy family on the basis that the mother is fully employed. The mother concedes that she is fully employed, but claims that State agency policy does not permit discontinuance on this basis. Agency policy in fact does not recognize employment of an AFDC mother as an eligibility condition. The issue consequently is one of judgment whether agency policy has been applied correctly.

(ii) The agency proposes to discontinue AFDC on the basis that the absent father and husband has been seen to enter and leave the home on several occasions. The agency considers that in view of these visits he is no longer absent from the home. The mother concedes that her husband visited the home, but argues that he is nevertheless absent therefrom under agency policy. This is an issue of judgment.

(iii) The local agency proposes to reduce OAA to an individual on the basis that a relative is responsible for part of the recipient's support. The agency is aware that no support is forthcoming but interprets State policy to require reduction. The recipient claims that State policy prohibits any reduction in this situation. This is an issue of judgment.

Issues of judgment will often arise where local agencies have policies or practices which conflict with a correct application of the provisions in the State plan. For example, if a local agency as a result of misconstruing the State's definition of deprivation in AFDC would propose discontinuance of assistance in all cases in which there is a substitute father in the home all these cases would involve an issue of judgment.

In some instances there may be mixed issues of fact and judgment, or it may be difficult to determine whether a particular issue is one of fact or of judgment. However, since assistance must be continued in all such cases, it is not necessary to make this determination.

The above examples are merely intended as illustrations of situations in which assistance must be continued pending the fair hearing decision.

2. Issues of agency policy :

(a) The State agency, as a matter of Statewide policy, imposes a ratable reduction on assistance payments resulting in reduction or termination in most cases. A challenge to this action raises an issue of policy. Recipients affected are entitled to a fair hearing on the issue whether such a reduction is legal, but the agency is not required to continue assistance without reduction pending the hearing decision.

The agency terminates the grant to an AFDC child and his mother because the child is 18, and because the State does not furnish AFDC for any child age 18 or over. The mother concedes that the child is 18, but asks for a fair hearing on the issue whether the State under the Social Security Act

is required to provide assistance to children between 18 and 21 who attend school on a regular basis. This is an issue of policy and assistance may be terminated immediately.

Generally, claim that the agency program is too narrow, that the assistance level is too low or that the agency has imposed maximum, involve issues of policy. Other issues of policy may relate to the consistency between State policy and Federal requirements or the constitutionality of State policies.

The requirement in section 205.10(a) (5) applies only to instances in which the agency proposes to reduce or terminate assistance furnished to a family or individual, it does not apply to initial applications for assistance, nor does it apply to court appeals.

WORK EXPENSES FOR THE BLIND

Senator MILLER. In the area of the blind again, Mr. Secretary, under present law, a needy blind person may deduct necessary working expenses from his income in determining the amount of his welfare payment.

I understand this policy is continued in the present pending legislation; that is, it is continued in the House-passed bill, I should say.

Secretary RICHARDSON. Yes.

Senator MILLER. But the revised bill, I am told, would only permit him to deduct work expenses that are "necessitated by or related to" his blindness.

Now, I can see some distinction between allowing him to deduct necessary work expenses and allowing him to deduct expenses that are necessitated or related to his blindness; for example, his bus transportation to get to his job. That would relate to necessary work expenses. But I think you might argue that that is not related to his blind condition, because you have many people taking a bus who are not blind. The question is why the change in the language from the House bill?

Secretary RICHARDSON. Well, that is true.

I cannot give you the answer to that, Senator. I will ask Mr. Hawkins to give it.

Mr. HAWKINS. The revision from the House bill attempted to make more uniform the earnings exemptions for the aged and disabled. In doing so, it assured that in most instances, the aged and disabled could receive a larger amount of exempt earnings than they had and in turn cut back, on a basis comparable with the family assistance plan, the work expense allowance. In most instances, the net effect on the aged and disabled was a gain as compared with the House bill at the present time.

In the case of the blind, the effort was to make uniform the work expenses, which are now exempt, and the income exemption, which was not changed; these actions would produce somewhat less total exempted income as a result, because only work expenses attributable to blindness and not ordinary work expenses would be considered. There has been some reconsideration of that in the Department, in spite of the advantages in uniform treatment. The Department has indicated to the committee staff that it would not object to making exception in the case of the blind so the full work expense was allowed and so that they would be in the same position as they are at present.

Senator MILLER. In connection with that revision, was there any contact made with the National Association for the Blind to get their comments?

Mr. HAWKINS. I do not know, Senator.

Senator MILLER. I hope that there would be before this thing might be finalized and I appreciate the willingness of the Department to work with the staff in possibly revising that language further.

FAP DAY CARE CONSTRUCTION FUNDS

Under the administration revision, the Secretary has unlimited authority to pay for the construction of child care facilities with, apparently, entire discretion on where the funds are going to go, what State or locality. There is concern on the part of some people that this discretion is too broad. There at least ought to be some kind of guidelines given to indicate how the funds would be distributed among the States.

Secretary RICHARDSON. I think it would be important at least to give the committee, if the language is left as it is, as clear an indication as possible as to how this would be administered.

Senator MILLER. Understand, I am not suggesting that you are planning to be arbitrary and unreasonable about it, but I think there is a little concern that there may be more need than you may have money for, or at least people may think there is more need than you have money for, so you are liable to find yourself with a great amount of demands that have to be apportioned.

Secretary RICHARDSON. I understand that. From the Department's point of view, it is important that we should have understandable and objective criteria that are applied in determining which applications are approved and which ones are not, if there are more applications than we can fill. I think the more understandable they are, the more acceptable the answers we give will be.

Senator MILLER. Well, would you care to give the committee a little statement on this?

Secretary RICHARDSON. Yes. I would think this falls within the scope of Senator Talmadge's earlier request, with respect to provisions of the bill generally involving discretion, that we do the best we can to tell the committee how this discretion would be exercised.

Senator MILLER. I am not suggesting necessarily a formula approach.

Secretary RICHARDSON. I understand that.

Senator MILLER. But on the other hand, neither am I suggesting a first-come, first-received approach.

There ought to be something which could be devised which would be helpful to us in evaluating it.

Secretary RICHARDSON. I could say immediately that one consideration is this: The only justification at all for new construction is that there just is not a facility in the neighborhood that could, with reasonable expenditure for renovation, be made suitable as a day care center. Otherwise, we prefer to adapt existing facilities or press them into service for these purposes.

So we would need to be convinced that there was no such place before we would want to have a limited amount of money spent for new construction.

Senator MILLER. But beyond that.

Secretary RICHARDSON. I understand that is only a partial answer. When you are in a place where there is no suitable facility, you would

need other considerations having to do with such yardsticks as the number of children in the area, for example, who could benefit from day care services.

Also, I suppose that other considerations would involve the sponsorship of the day care service and its meeting of other standards.

Senator MILLER. I think the question of the availability of present structures should be one that would be subject to most flexible interpretation, because I could understand how such facilities may in fact be available, but because of a failure to work out agreements and coordinate properly with local officials, they may not be usable.

I trust that you are not just referring to physical availability of facilities, but, assuming that the facilities are already there, that would be feasible.

The question is what can be done to make them available which would avoid construction, avoid unnecessary costs.

Now, you might find an excessive rental problem involved.

I do not mean for you to make any specific responses now, Mr. Secretary. But if you would give us something on that, I would appreciate it.

Secretary RICHARDSON. I will.

(A reply from the Department follows:)

**DEPARTMENTAL POLICY ON THE DISTRIBUTION OF FAP DAY CARE
CONSTRUCTION FUNDS**

The Department plans to distribute funds for the construction of day care facilities according to a set of priorities.

Agencies or organizations which have been designated by the appropriate elected or appointed officials to make grants or contracts for child care will submit a comprehensive plan for providing day care services in their areas of service. The plan will include an assessment of need for construction activities categorized in terms of remodeling, renovation, acquisition, and new construction. The grantee will also furnish cost estimates for proposed projects.

The Department will then aggregate and examine these assessments and it will formulate a ranking of possible projects according to a priority of need. Two factors will influence the ranking. First, a highest need will be established where a lack of requested construction funding would greatly inhibit the delivery of service required by the Family Assistance Act. Second, the Department will favor a ratio of cost to benefit which will maximize the effectiveness of the entire program. The Secretary or his delegate will have to make a specific finding that renovation is not feasible for funds to be used for new construction.

Secretary RICHARDSON. I would like to make just one further point that has to do with the availability of facilities. That is the importance of developing some way of introducing some uniformity into licensing standards and building code requirements as they apply to day care centers. This can be a very real problem in some places. It is important at least to encourage uniformity.

We are under a very stringent mandate by the House Committee on Ways and Means to look into this and we will be doing that also. I think the two things go together very closely.

Senator MILLER. Well, we have provisions now which provide for certain fairly uniform standards for nursing homes.

I see no reason why we should not have them here. I would commend that action.

TRANSFER OF FUNDS PROPOSAL

Now, under the transfer of funds proposal, would it be possible to transfer at a local level funds from a Federal-State program to a Federal-local program?

Secretary RICHARDSON. Yes.

Senator MILLER. And would the mayor have such authority?

Secretary RICHARDSON. Yes he would, under the provision that enables the mayor of a city of 250,000 or more to establish a plan. The authority of the mayor of a smaller city would, in effect, have to become part of the State plan and be a delegated authority from the Governor.

Senator MILLER. Well, in other words, the mayor would have to have, within the plan, authority from the Governor or get an approval from the Governor?

Secretary RICHARDSON. As the bill is written, in the case of cities of 250,000 or more, the city can have its own plan. I think this is a matter on which the committee can expect to hear from both sides, State and municipal.

Senator MILLER. I am just trying to find where in the present bill and revised bill we are, because I can see where there is a Federal-State program in a community with certain State funds in there, which perhaps necessitated a great amount of work on the part of the State, and then the next thing, there is a transfer of funds from that program to a Federal-local program.

I would think that a Governor or his people would want to have an input and probably want to have approval on it unless the Federal law cuts them out of it.

You state that the mayor would have this authority, but I am not sure what additional there must be besides, what there has to be from the State level or the Governor on such a transfer.

Secretary RICHARDSON. I do not have the bill language in front of me, but I can ask you to look at the language on page 304 of the committee print, summarizing part B which has to do with the consolidated health, education, and welfare plan.

In the paragraph at the top of the page, it says:

The plan must also permit any political subdivision, with respect to portions of the included programs which it administers, to exercise the option for transfer of funds, and must describe any such transfers at both the State and local levels that will take place.

Senator MILLER. I do not read it that it requires approval though. At least, I do not find the word.

Secretary RICHARDSON. You mean that it would require approval of the local transfer?

Senator MILLER. Yes. The language in the bill is on page 271, the middle of the page, line 13.

It says notwithstanding any other provision of Federal law, the Governor or the chief elected executive officer or officers of a unit of general local government which administers one or more health, education, or welfare programs included in the plan may transfer an amount, and so on. That does not seem to say who must approve a transfer.

Well, would you be good enough to have your people think about that and probably check with our staff on it, because it seems to me that we ought to have something to talk about. Possibly you might want to provide some clarifying language so that we will have this to talk about when we have our go-around with the public witnesses, and probably some mayors and Governors or their representatives.

Offhand, I do not know why there would be any great difficulty in requiring that the Governor or his delegate approve such a transfer. I would think that if the reason were good, he probably would.

Secretary RICHARDSON. Yes. I think we can take at least one more step in clarifying the matter at the moment.

On page 269 of the committee print, 129 of the bill—that is two pages before the paragraph you were pointing out—the section starts out, “A consolidated health, education, and welfare plan shall * * *” and then skipping down to subparagraph (4), “if Federal assistance is to be transferred from one program to another as authorized in section 2022, contain a full description of the programs, purposes, and the amounts involved at both the State and local levels.”

So it would appear, in any event, that the provisions for transfer have to be in the State plan. What I was referring to earlier as the local responsibility here is that if a local subdivision is responsible for the administration of any part of the plan, then there has to be provision for transfer at the local level of the funds allocable to that level. But there would only be transfers possible if the State plan, overall, permitted it in the first place.

Senator MILLER. That is right and I can understand how you could have a plan without such a provision in it and it would be a very good plan. But then the question comes up, How are you going to allocate money and who is going to determine the priorities? So I think that perhaps some clarifying language would be helpful there. Whatever you recommend its something we would like to have.

I just suggest to you that I cannot understand why there should be any great difficulty in getting approval from the Governor or his delegate if such a transfer is made. I would suppose that he probably would delegate it to his planning people anyhow, and if it is already in a plan, there would not be any problem there.

If it is not in the plan, there might be. But I think there ought to be something easier to prevent such questions.

Secretary RICHARDSON. I think this is a good point, Senator, and we will take another look at it to see what we can do.

Senator MILLER. Thank you.

(A Departmental reply follows:)

CLARIFYING LANGUAGE ON STATE TRANSFER PROVISION

Under section 2020 only the Governor has authority to submit a consolidated health, education, and welfare plan. Such a plan must provide that any unit of general local government administering portions of two or more programs included in the plan shall have authority to transfer up to 20 percent of Federal funds between programs in accordance with section 2022.

Thus the Governor determines which State plans (in addition to his plan for individual and family services) he will include in the consolidated plan, and there is no mechanism by which a local executive official could compel the inclusion of any Federal-State program. On the other hand, with respect to any programs included in the consolidated plan and administered within a particular locality, local executives *must* be permitted to exercise the transfer option, subject to the limitations of section 2022.

CRITERIA FOR FEDERAL FUNDS FOR SOCIAL SERVICES

Senator MILLER. Now, somewhat in the same area, the social services title would authorize the Governor to distribute Federal funds for social services within the State, "consistent with criteria presented by the Secretary." Do you have any criteria that you care to give us?

Secretary RICHARDSON. Not offhand, Senator.

Senator MILLER. Would you be good enough to give the committee for the record what your thinking is on this?

Secretary RICHARDSON. Yes, we would be glad to do that.

Senator MILLER. All right.

Secretary RICHARDSON. Again, this comes under the heading of our efforts to try to illuminate as much as possible the ways in which discretionary authority would be exercised.

(The Department subsequently supplied the following information:)

The annual State plan, submitted pursuant to Sec. 2005, must include the specific allocation of Federal funds to service areas. The State plan must also assure a reasonable balance of services as prescribed by regulations of the Secretary.

Unlike the present system, the State's annual operating plan under the bill is derived in part from plans submitted by each local prime sponsor. The State plan, therefore, reflects the identified needs of each service area in the State and plans for meeting these needs. The Federal guideline for allocation of funds to service areas will call for an equitable allocation appropriate to these identified needs and service plans. Criteria which a State might use in developing an equitable allocation formula may be derived from such measures of need as population, incidence of poverty, fiscal capacity of the service area, previous expenditures, and an equalization factor.

We would expect to require that cities of 250,000 or over which chose to select their own prime sponsors receive an equitable share of the State totals.

ESTIMATED COSTS OF SOCIAL SERVICES BY STATE

Senator MILLER. Now, so that we would be able to see perhaps a little better than some of us how this would work out, could you have your staff assume a \$1 billion appropriation and show us how it would be allocated to the various States, State by State?

Secretary RICHARDSON. You are speaking of the basic social services authorization?

Senator MILLER. Yes. Now, let us assume that there is a \$1 billion appropriation that is available for distribution. I think that if we can have a picture of how that would be distributed State by State, it might be helpful, unless you already have something similar to that.

Secretary RICHARDSON. We do have a breakdown which shows how the estimated Federal share of funds would be distributed under the various parts of the bill and which we could insert here. Although the total does not come to quite that much, the distribution for all purposes covered by these amendments would be \$755 million. But it would be illustrative.

Senator MILLER. I think that would be all right if you furnish it for the record at this point, I would appreciate it.

Senator ANDERSON. Without objection, that will be done.

ESTIMATED COST OF SOCIAL SERVICES FISCAL YEAR 1971 AND 1972, BY STATE

	Estimated Federal share (fiscal year 1971)				Estimated Federal share (fiscal year 1972)			
	Child welfare	Foster care under AFDC	Social services	Total	Equalization	Foster care and adoption	Social services	Total
Total	\$46,000,000	\$26,800,000	\$509,328,000	\$582,128,000	\$50,000,000	\$150,000,000	\$555,328,000	\$755,328,000
Alabama	1,049,217	480,000	1,578,000	3,105,217	3,983,000	2,667,000	2,625,217	9,272,217
Alaska	125,702	110,000	1,210,000	1,446,702		249,000	1,336,702	1,585,702
Arizona	498,606	230,000	1,798,000	2,526,606	442,000	1,364,000	2,296,606	4,102,606
Arkansas	614,041	330,000	2,340,000	3,284,041	1,842,000	1,464,000	2,954,041	6,260,041
California	3,311,854	2,340,000	168,283,000	173,934,854		14,096,000	171,584,854	185,680,854
Colorado	509,721	310,000	3,409,000	4,228,721	76,000	1,567,000	3,918,721	5,561,721
Connecticut	509,750	330,000	5,000,000	5,839,750		2,121,000	5,509,750	7,630,750
Delaware	165,199	100,000	535,000	800,199	54,000	417,000	700,199	1,171,199
District of Columbia	179,786	86,000	6,857,000	7,122,786		569,000	7,036,786	7,605,786
Florida	1,430,727	790,000	11,153,000	13,373,727	1,774,000	4,442,000	12,583,727	18,799,727
Georgia	1,268,892	560,000	17,362,000	19,190,892	1,464,000	3,570,000	18,630,892	23,664,892
Hawaii	234,605	110,000	2,002,000	2,346,605		625,000	2,236,605	2,861,605
Idaho	249,693	76,000	718,000	1,043,693	184,000	550,000	967,693	1,701,693
Illinois	1,865,924	1,130,000	24,140,000	27,135,924		7,978,000	26,005,924	33,983,924
Indiana	1,109,362	940,000	3,526,000	5,575,362	1,572,000	3,817,000	4,635,362	10,024,362
Iowa	631,156	480,000	6,188,000	7,299,156	287,000	1,996,000	6,819,156	9,102,156
Kansas	542,557	320,000	3,828,000	4,690,557	301,000	1,640,000	4,370,557	6,311,557
Kentucky	892,280	250,000	2,840,000	3,982,280	3,513,000	2,362,000	3,732,280	9,607,280
Louisiana	1,113,735	1,080,000	8,996,000	11,199,735	1,935,000	3,035,000	10,109,735	15,079,735
Maine	300,545	210,000	1,487,000	1,997,545	332,000	709,000	1,787,545	2,828,545
Maryland	790,562	520,000	11,014,000	12,324,562		2,845,000	11,804,562	14,649,562
Massachusetts	1,008,750	810,000	7,898,000	9,704,750		3,817,000	8,894,750	12,711,750
Michigan	1,772,876	690,000	20,271,000	22,733,876		6,724,000	22,043,876	28,767,876
Minnesota	871,229	490,000	4,335,000	5,696,229	995,000	2,812,000	5,206,229	9,013,229
Mississippi	813,357	230,000	1,730,000	2,773,357	3,538,000	1,898,000	2,543,357	7,979,357
Missouri	1,018,245	520,000	11,654,000	13,192,245	536,000	3,254,000	12,672,245	16,462,245
Montana	235,686	94,000	1,242,000	1,571,686	61,000	530,000	1,477,686	2,068,686

Nebraska.....	372,184	200,000	2,470,000	3,042,184	295,000	1,049,000	2,842,184	4,186,184
Nevada.....	151,264	99,000	874,000	1,124,264		380,000	1,025,264	1,385,264
New Hampshire.....	219,327	120,000	1,419,000	1,758,327		516,000	1,638,327	2,154,327
New Jersey.....	1,215,564	790,000	10,485,000	12,490,564		4,956,000	11,700,564	16,656,564
New Mexico.....	359,916	320,000	4,791,000	5,470,916		856,000	5,150,916	6,006,916
New York.....	2,873,074	2,040,000	28,906,000	31,819,074	1,163,000	12,448,000	29,779,074	43,380,074
North Carolina.....	1,400,463	630,000	5,281,000	7,511,463	3,869,000	3,850,000	6,681,463	14,400,463
North Dakota.....	226,903	85,000	1,828,000	2,239,903		466,000	2,154,903	2,862,903
Ohio.....	2,212,687	1,270,000	5,977,000	12,356,687	2,604,000	7,929,000	11,089,687	21,662,687
Oklahoma.....	645,478	360,000	4,867,000	5,872,478	1,050,000	1,766,000	5,512,478	8,328,478
Oregon.....	472,600	390,000	4,113,000	4,975,600		1,422,000	4,585,600	6,007,600
Pennsylvania.....	2,298,570	1,650,000	23,385,000	27,333,570	453,000	7,982,000	25,863,570	34,118,570
Rhode Island.....	235,874	130,000	1,849,000	2,214,874		616,000	2,084,874	2,700,874
South Carolina.....	845,994	380,000	1,437,000	2,662,994	3,832,000	2,121,000	2,282,994	8,235,994
South Dakota.....	236,736	130,000	2,402,000	2,768,736		102,000	2,683,736	3,241,736
Tennessee.....	1,066,996	340,000	12,936,000	14,342,996	1,366,000	2,57,000	14,002,996	18,225,996
Texas.....	2,787,030	1,060,000	10,099,000	13,946,030	8,169,000	8,622,000	12,886,030	29,677,030
Utah.....	358,720	210,000	3,021,000	3,589,720		892,000	3,379,720	4,271,720
Vermont.....	168,428	100,000	502,000	770,428	129,000	320,000	670,428	1,119,428
Virginia.....	1,136,020	610,000	5,506,000	7,252,020	2,697,000	3,420,000	6,642,020	12,759,020
Washington.....	684,015	350,000	25,898,000	26,932,015		2,452,000	26,582,015	29,034,015
West Virginia.....	519,070	330,000	3,420,000	4,269,070	1,343,000	1,260,000	3,939,070	6,542,070
Wisconsin.....	958,433	850,000	13,951,000	15,759,433		3,168,000	14,909,433	18,077,433
Wyoming.....	142,419	40,000	655,000	837,419		241,000	797,419	1,038,419
Guam.....	106,633	28,000	79,000	213,633		92,000	185,633	277,633
Puerto Rico.....	1,100,579	400,000	797,000	2,297,579		2,665,000	1,897,579	4,562,579
Virgin Islands.....	89,956	20,000		109,956		55,000	89,956	144,956

¹ Columns do not add to total due to rounding.

² Excludes \$60,000,000 for Government assistance and projects.

Senator MILLER. Now, in looking at the table on page 107 of the committee print, there is a great amount of money going to California and I know we always get into a problem on allocation formulas. But I would like to know what the rationale that you propose to follow is.

Is it that we bring every State up to the average expenditure of \$80 per person in California, or use a national average of \$14? I suspect that, because of your answer to one of Senator Curtis' questions, you are thinking in terms of bringing them up to the national average.

Secretary RICHARDSON. Yes, that is what we are thinking of. This has to do with the initial appropriation of \$50 million and subsequent additional amounts based on that over 4 years. But that would be enough only if in the fourth year the appropriation were \$200 or \$250 million and distributed among the States below the national average to bring them up to that average. It would obviously require progressively vaster amounts to bring the States up to levels above the average or much above the average. And of course to get it up to the level of California, we would be spending enormous amounts for social services.

Senator MILLER. Is it your purpose that for a 4-year period, you are going to use a national average at the beginning of the period, or will you have a moving average?

Secretary RICHARDSON. How fast we can move up depends a good deal on what the Congress actually appropriates. Beyond that, if the Congress were very generous in appropriating amounts to assist the States to come up to the national average, it would also depend on how fast the States wanted to move and were able to move in the actual development of qualifying services and personnel. There is no dollar amount written into the bill.

In any event, the bill has the 1971 national average as the determinant of which States will be eligible for this extra amount.

Senator MILLER. That is right, and that is not much of a norm. It is a norm you can administer, but to me, it leaves me groping as to just what the objective is.

Secretary RICHARDSON. Well, the objective is to help those States catch up with the States at or above the average.

Senator MILLER. What do you do with the State that may have a very low rate of unemployment and may be relatively affluent, which says, we do not want to catch up, we do not have to? Do you not think that there is a need for a more sophisticated analysis of the problems of the various States, or certainly of groups of them? So that we might find that \$80 per person in California may not be as good, all other things being taken into account, as perhaps \$40 in some other State?

Secretary RICHARDSON. Well, it becomes awfully difficult. It is fair to say at this point, Senator, that a great deal needs to be done in evaluating the effectiveness of the kinds of services we are talking about in reducing the incidence of poverty and deprivation generally and assisting people to become self-supporting.

We hope, over the next few years, with the kinds of research and demonstration projects that are already authorized and would be authorized under this legislation, to find out more about this. At any rate, we are on a sleigh ride now, with the costs rising at a very steep aggregate rate.

I mentioned earlier, in discussion with Senator Curtis, the problem we face in the Appropriations Committee right now. The administration attempted to put a lid on Federal matching of social services expenditures for fiscal 1971 by writing into the appropriations bill a 110-percent limitation over 1970. This would have meant that the Federal share of appropriations would have been about \$550 million for this purpose in 1971.

The House struck out the 110-percent limitation. The result will automatically add according to current estimates, about \$300 million to the Federal costs of the program. Of the additional \$300 million above what we thought the expenditures were going to be in 1971, about \$170 million goes to California, with \$130 million to the rest of the country.

This is a good indication of why we think we ought to do something to bring this process under control, while at the same time leaving some room for expansion of services in the States which are spending least. But we do recognize that while we may put a lid on this overall, and while we may enable the low expenditure States to catch up, we have also got to do a lot more to find out how much good this money is doing.

Senator MILLER. Well, I appreciate your saying that, but I must say that a lot of people from other States are going to look at that table on page 107 and say California is getting about a third of the total amount of that \$546 million of Federal expenditures. I think you are bound to have some reaction on that.

It seems to me that to allocate money on the basis of what sometimes is euphemistically called the State's effort can get us into problems. It depends upon how you define the State's effort.

I recall one time when we had a bill around here on aid to education. The State's effort was defined in such a way that one or two States I can think of that I am pretty close to would have not received a very good share under that, because an actual dollars and cents effort that was being made was not taken into account under the definition of State effort.

But maybe you can revise this approach somehow so that you might keep California reasonably happy without getting the rest of the 49 States unhappy.

Secretary RICHARDSON. I may be justified in restating the approach here to be sure we are on the same wavelength. There are two pots of money that would be allocated for social services. The first pot—the biggest one, which we have supposed would be \$55 million in the first year after the bill is effective—would be allocated essentially on the basis on which States are receiving Federal funds now. That is how California gets \$175 million.

But we would, in so doing, be putting the lid on the rate at which money would be going to California, where now there is none. California now does whatever it thinks it needs to do in the way of providing social services and sends the Federal Government the bill, and we pay three-quarters of it. So there would, then, be a slowdown at least in the rate of Federal expenditure increases for California. Indeed, if the Congress did not appropriate more than the 1971 level as we originally stated it, expenditures for California would level off.

Then there would be a second pot of money with \$50 million in it the first year, \$100 million the second year, \$150 million the third year, \$200 million the fourth year. Out of that pot of money, we would help the States below the national average to move up to the national average if they chose to do so. And there would be provision in the law for reallocation of that pot of money by the Secretary among States below the national average if some of them did not want to move faster.

Now, as I have understood it, what you have suggested is that we might have a more refined basis of allocating the second amount of money, and I think we will need to develop fairly clear criteria. But the theory is that if the lower States want to move ahead or move more nearly up to the national average, we would be prepared to help them do this with this second \$50 million-plus pot of money.

Senator MILLER. Well, I would like to see some more sophisticated criteria with respect to both, because I think there is concern that just because California has been getting such a large amount of money thus far, we are just going to compound it by adding, allocating so much more out of that \$550-odd million. While you say there might be some leveling off, there might be some leveling off with some penalty to the Senate if the people in our States look at this chart to see where that money is going to be going.

Secretary RICHARDSON. We start with where California is. So we have to start high with California or else cut California back. There is a double calculation—one, what we were spending when the bill went into effect, and the other, the number of families below the poverty level in the States.

Senator MILLER. Are you saying that there is nothing we can do about seeing that California would get the \$175 million of that \$546 million on page 107?

Secretary RICHARDSON. I am saying that there probably is not anything you could do, because if the law is not changed at all, we will not only spend \$175 million, but probably that figure is already out of date. And California's share will go on up as California chooses to spend money for the eligible social services at the rate of 75 percent Federal matching. What we are trying to do in this bill is to eliminate that open-ended situation. The question is where do you move in and cap the flow? We concluded that the only practical way to do this is to begin where we are. We tried to cut California's rate of growth back and we lost in the House. The House knocked out our 110-percent limitation. We tried to hold California this year to 110 percent of what it spent last year. Of that \$300 million increase I mentioned, \$170 million of it is California alone.

So they are obviously increasing at a rate much faster than 10 percent a year.

The language in the bill that covers this is on page 264 of the committee print, 124 of the bill. It says, "From the remainder of the sums appropriated," et cetera. It says, "The Secretary can reserve 10 percent."

Senator MILLER. Where are you reading now, please?

Secretary RICHARDSON. The bottom of page 123 of the bill, which is page 263 of the committee print. "From the remainder of the sums appropriated," after the Secretary takes off 10 percent, "the Secretary

shall allot to each State an amount which bears the same ratio to such remainder as the Federal share of expenditures in such State in the fiscal year ending June 30, 1971," et cetera, "bears to the total of such Federal shares in all the States, but in no case shall such amount with respect to any State exceed the Federal share of such expenditures in such State in such year and, (ii), after the allotment pursuant to clause (1) has been made, from the sums remaining, if any, the Secretary shall allot to each State an amount which bears the same ratio to such sums remaining as the number of individuals in such State whose income does not exceed the poverty level bears to the number of such individuals in all the States."

As I understand it, you start with the fiscal 1971 base. If the Congress appropriates enough money in future years so that you have more money than that amount to distribute, then you distribute it in accordance with the poverty population. Any additional amounts after 1971 are distributed. For the first time, there would be a formula distribution of funds for social services for the States above the national average, where heretofore, the only determinant has been what they chose to spend.

Senator MILLER. I appreciate that. You do not have any ideas, however, about putting the amount up to the 1971 figure under a formula also? Just leaving that alone?

Secretary RICHARDSON. I do not think it is a practical possibility at all in the light of what we have already seen with even our attempt to hold the lid on the existing law. I think it would mean radical redistribution, with heavy subtractions from the States at the top of that list. However—

Senator MILLER. Well, if the States at the top of the list have the social and economic need for it, I am not going to object. But if they have been getting a windfall at the expense of some other States, I think I should. I do not know. It just looks awfully big and arbitrary to me.

Secretary RICHARDSON. Some of it represent the relative degrees of initiative of the Governor and the welfare department which identified the fact that the Federal Government stood ready to pay 75 percent of the cost of the services. To some extent, it reflects the resourcefulness of the State in getting services classified as social services as distinguished from administration. To some extent, it represents the degree of need, as you have pointed out, for services in the area. But I do not believe that there would turn out to be any consistent explanation of why some States are so much higher than others.

Senator MILLER. Well, you see, when I look at the formula and your views for amounts over that 1971 amount, that seems to bear some resemblance to need. I cannot see it up to that point except on the assumption which I am afraid would not be borne out that all Federal moneys that have been going out to these States up to now have been according to a very sophisticated formula based upon social need.

Secretary RICHARDSON. Not at all, no formula at all. They decide what they want to spend. If it is for social services, the Federal Government automatically becomes obligated to reimburse 75 percent of that amount. And that is how it has happened. So they move forward at their own pace.

Now, if our recommendations are adopted, then the States above the national average will be able to get increased Federal matching above the 1971 level only in proportion to those additional expenditures which are in a ratio related to their proportion of all poor people in the country. Meanwhile, the States below average will be assisted to come up to the average after a while—and it will take quite a few years—the distribution will have achieved a rational base, at least in relation to the poverty population.

But it is a problem of getting from here to there and we have felt that it just was not practical to do it by taking money away from high-spending States and redistributing it to the others.

Senator MILLER. Thank you, Mr. Secretary.

Senator WILLIAMS. Mr. Secretary, you have been very patient and I have a few questions myself, but if it is all right with you, I will submit those questions to you and you can submit the answers for the record.

Secretary RICHARDSON. Thank you.

Senator WILLIAMS. I understand that Senator Harris and maybe a couple of others may have questions and they may want to submit those questions, which will save your time, too. If they will, we can have them submitted and you can submit the answers. Is that agreeable to you?*

Secretary RICHARDSON. I appreciate that, Senator. I would like to take the opportunity to thank you and through you the chairman and the committee as a whole for their patience and interest. I stand ready to come back. In the meanwhile, there are a lot of people in the Department who are expert in various aspects of these interrelated programs and proposals and they are certainly available to you, whether in public sessions of the committee or in executive session or working with the committee staff.

Senator WILLIAMS. We appreciate that.

Now, in order to save perhaps coming back again, could you leave all of the charts that we have had heretofore here with the committee so that as representatives from the States affected may need those charts, we will have them available?

Secretary RICHARDSON. Certainly.

Senator WILLIAMS. The committee stands in adjournment until 10 o'clock Tuesday, at which time the Secretary of Labor will be here.

(Whereupon, at 5:25 p.m., the committee adjourned to reconvene at 10 a.m., Tuesday, August 4, 1970.)

*Questions of Senators Williams, Harris, and Curtis, with Departmental responses appear in appendix C, pp. 1162, 1172, and 1177, respectively.

THE FAMILY ASSISTANCE ACT OF 1970

TUESDAY, AUGUST 4, 1970

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Anderson, Talmadge, Byrd, Jr. of Virginia, Williams of Delaware, Curtis, Miller, Jordan of Idaho, Fannin, and Hansen.

THE WIN PROGRAM

The CHAIRMAN. The hearing will come to order.

Today the committee will begin to hear testimony from the Honorable James D. Hodgson, Secretary of Labor, on the operations of the work incentive program—WIN—enacted in the 1967 Social Security Amendments, and on the provisions of the administration's welfare bill relating to work and training.

As chairman of this committee I am particularly interested in the WIN because this Senator was the initial author of that proposal.

As far as the work incentive program is concerned, we can take little satisfaction from its success. When the WIN program was written into law in 1967, this committee felt that it provided the basis for a real effort to end dependency through work training and employment.

We looked on it as a constructive step in moving people off the welfare rolls and onto payrolls. To put it another way, more workfare, less welfare.

The Department of Labor voiced glowing optimism in 1967 of its ability to help train people to get them off welfare. Now, of course, that was under a previous administration. Unfortunately their deeds have not matched their words. Instead of helping people off welfare, the Labor Department helped a group known as the National Self-Help Corporation to help themselves to \$430,000 in Labor Department contracts under the WIN program.

That group's goal, in the language of its attorney, apparently was to tell welfare recipients how to stay out of the work incentive program "until hell freezes over".

I am hopeful that the Secretary will advise the committee this morning of whatever advantages the Department of Labor, the WIN program, and the American taxpayer derived from that contract.

The accomplishments of the Department of Labor in administering the WIN program are dismal. Of 250,000 welfare recipients found appropriate and referred to the work incentive program during its

first 21 months, less than 60 percent who were enrolled in the program by the Labor Department, and out of the 145,000 who were enrolled, one-third subsequently dropped out.

Only 13,000 welfare cases have been closed following participation in the work incentive program during its first 21 months, while during the same period 641,000 families were added to the welfare rolls—a ratio of 50 to 1, on the unfavorable side.

In my own State of Louisiana, according to the figures supplied by the Department of Health, Education, and Welfare, 2,600 families came on the welfare rolls in the last 3 months of 1969, while only nine families left welfare following participation in the work incentive program.

The administration witnesses who have already testified on this bill have made much of the provisions penalizing welfare recipients for refusing to participate in work and training.

We can fairly be skeptical that these provisions would be administered any more enthusiastically than has been done under the existing law.

Similar provisions exist under present law, yet apparently only one out of every 40 persons who refused without good cause to participate in the work incentive program ever lost welfare benefits because of this refusal to participate.

The 1967 work incentive program provided ample authority for a well organized training program for welfare recipients designed to meet their individual needs in becoming employable and employed. It is not in the legislation, but in its administration that the program has failed.

Frankly, without a sharp change in administrative attitudes, it is difficult to see how reenactment of the work incentive program—and on the work training side, that is about all H.R. 16311 proposes—can do more than repeat the failures of the existing law.

Mr. Secretary, we are pleased to welcome you here, on your first appearance before the Committee on Finance.

Before you are recognized, let me request that Senators resist the urge to ask questions until you have completed your statement on the bill. Then, I plan to call on Senators under the 10-minute rule so that all of us will have an opportunity to interrogate you briefly on this legislation in this morning's session.

In the event we are not able to ask all our questions at today's session, then it is our plan to ask you to come back again on Thursday morning.

You are recognized now, and you may proceed with your statement.

**STATEMENT OF HON. JAMES D. HODGSON, SECRETARY OF LABOR;
ACCOMPANIED BY JEROME ROSOW, ASSISTANT SECRETARY;
MALCOLM LOVELL, ASSISTANT SECRETARY; AND PAUL E.
BARTON, ASSISTANT TO MR. ROSOW**

Secretary Hodgson. Thank you, Mr. Chairman and members of the committee. If I may, I will proceed with my statement.

I believe the Family Assistance Act is one of the most significant pieces of social legislation in the last 50 years. It is a pleasure to appear before you today to testify on welfare reform.

I am not going to repeat the conclusive testimony you have received from others that the present welfare program is a failure.

The overriding point I want to make at the outset is that the family assistance plan is not—by concept or design—a “guaranteed income plan” or a “negative income tax.” The Nixon administration does not agree with those approaches.

It is, instead, a complementary array of work incentives, work requirements, training and employment opportunities, child care to enable mothers to work, and income and income allowances.

Its starting point is not a guaranteed income, but the forward looking changes made by this committee in 1967 with regard to a work requirement, work incentives, and training and child care opportunities.

It is the work incentive aspect of the legislation that this committee examined thoroughly in its initial hearings. We understand your conclusion was that the bill did not go far enough in assuring that work incentives were adequately protected in other legislation outside the scope of the original Family Assistance Act. The committee was right in asking that we raise our sights with regard to protecting work incentives.

What you have suggested is wholly in accord with the statement of President Nixon in his address to the Nation last August that “any system which makes it more profitable for a man not to work than to work * * * is wrong and indefensible.”

I will summarize the ways in which the Family Assistance Act provides for work incentives, including the new proposals made last month which go beyond our original bill.

WORK INCENTIVES AND THE FAMILY ASSISTANCE STRUCTURE

1. The proposed Family Assistance Act emphasizes market incentives to move welfare clients from welfare rolls to payrolls.

The next several paragraphs of my statement, Mr. Chairman, refer to the basic elements of the plan, so I will pass on to page No. 3 and pick up the discussion.

Another strong inducement to enter the world of work is the special incentive which would be paid under the family assistance plan to encourage entry into training programs. The present WIN program provides the public assistance payment plus a flat \$30 extra per month for persons who enter training programs. The family assistance plan provides a minimum of \$30. In such cases, a family would get the higher training allowance amount.

Not only does this provide a higher incentive payment in the majority of States, but it also provides equitable treatment, since welfare recipients being trained side by side with other persons enrolled in training programs will be receiving the same income and, as you know, equity is one of the goals of the plan.

2. The family assistance plan contains a strong work requirement.

Except for exemptions specifically provided for in the bill, all able-bodied adults would be required to register with the Employment Service, and accept training or employment. Failure to register for employment, or failure to accept offers of training or employment, will mean cancellation of benefits. In fact, the first allowance check will

not be issued until registration with the Employment Service has taken place. We estimate that 2.5 million people will be required to register for training or work. We will talk more of this figure later.

3. The family assistance plan provides an expanded and improved program of training opportunities, including upgrading of the working poor.

We expect that a large number of registrants will have sufficient skills and work experience to place them on the job without the necessity of further skill training. But, obviously, some will not. For these, in addition to the present capacity of the manpower program for training and employment assistance and the WIN program aimed entirely at welfare recipients, training opportunities would be expanded by 225,000 under the family assistance plan. Seventy-five thousand of these opportunities would constitute a pilot effort to upgrade the skills of the working poor.

These numbers constitute initial targets.

4. The family assistance plan improves arrangements for providing child care.

Broadening the availability of adequate child care is absolutely essential if more mothers are going to be able to enter training or employment. Under the WIN program we have run into a number of obstacles to providing child care.

We believe these will be minimized by a number of provisions in the family assistance plan which go beyond those of WIN:

A 100-percent Federal financing of child care, thus removing the present need for the States to provide 25 percent of the funds.

Use of a wide range of sponsors, including profitmaking enterprises.

Expenditures for remodeling and renovating facilities.

Authority to continue child care after employment commences, so that a mother does not find herself unable to work after she has received training at Government expense.

A separate "income disregard" for expenses of private child care when public child care is not available, so that the mother will be reimbursed, in effect.

The family assistance plan provides for an additional 450,000 child care opportunities. It does cost money. However, it should be recognized that these costs are really an investment in two generations. They are an investment in the present generation in the sense that they free mothers for training and employment. The costs are also an investment in the next generation because they provide children with an early education, quality care, and attention to health and other needs. Although we have not emphasized it here, we consider the child care provision to be a boon to the child as well as to the working mother.

In addition to complimenting strong financial incentives to work, the provision of child care itself can be viewed as a major incentive to employment.

5. The coverage of the working poor curtails the present practice of penalizing work at the same time we reward nonwork.

In the present welfare system, rewards have been put in the wrong place. We have been willing to extend assistance to those who do not work at all. We should still do this when there is a justifiable reason for not working. But under past systems, we have done nothing for the man who works at a full-time but inadequate paying job for a full

year and still finds his family living in poverty. Incentives have been in the wrong place. Penalties for working are as wrong or as impractical as rewards for idleness.

6. An "Employability Plan" will be developed for those who register for training and employment.

The bill would require that such a plan be developed for all who register. At the outset we will need to set priorities since the volume of registrations will be greater than available resources, and that should be kept in mind. This means that manpower agency personnel will assess the needs of the individual, ascertain what manpower services are required by that person to become self-supporting, and follow through to assist the individual to complete the plan.

RECENTLY ADDED PROPOSALS TO STRENGTHEN WORK INCENTIVES

In addition to these aspects that emphasize work, and in response to your criticisms of last May, we have proposed some major additions that further enhance the work incentive features of this legislation, and we list them.

1. The combined tax on the Federal allowance and the State supplement is limited now to 67 percent. You will recall that previously the tax on the State supplement would have jumped to 80 percent after the Federal allowance ran out.

2. Earned income is now defined to exclude Federal income taxes. This will lower the marginal tax rate somewhat in the better income brackets of the eligible population.

3. Family assistance and food stamps would be administered together. The food stamp price schedule will be revised to make the price rise more even and, therefore, more equitable, as income increases, thus further removing employment disincentives. The commodity program will be eliminated.

4. A new Family Health Insurance Plan—to be submitted by the administration in February, as you know—will have premiums scaled upwards with income so work incentives are sustained. Secretary Richardson discussed this.

5. A new rent schedule for public housing is proposed in which rents vary somewhat with income. This is done to eliminate situations where a small increase in earnings could force a family to move and thus create a disincentive to increase earnings.

6. Elimination of the "unemployed father" program, so that a father who goes to work would not be worse off than a father who does not.

7. A strengthened work test, with increased financial penalties for refusal to accept work.

8. Authority to construct child care facilities, if necessary, which will help assure that lack of child care facilities will not become a barrier to training or employment.

In combination, the original and newly proposed work incentive features of the Family Assistance Act represent a powerful force to assist welfare recipients to become self-supporting citizens. Over time such action should reduce the growing financial burden of welfare on taxpayers.

I will explore some of these points in greater detail in the remainder of my testimony.

REGISTRATION FOR EMPLOYMENT AND TRAINING

The family assistance plan requires adults to register with the local manpower agency for manpower services, training, and employment. Out of an estimated 7.7 million persons age 16 and over who would be covered by the plan in 1971, the following groups would be exempted: 1.7 million wives of family heads; 1 million mothers with children under 6 years old; 0.9 million who are ill, incapacitated, or of an advanced age; 1.3 million full-time students; and 0.3 million persons needed in the home to care for an ill member of the household.

This leaves 2.5 million persons who would be required, as I stated earlier, to register, and which includes 1.2 million who are already working full time. Originally, the administration's bill has exempted persons working full time. However, the House Ways and Means Committee thought these people should register so that an employability plan could be worked out which would lead to upgrading their employment. We agreed.

Mothers who are heads of households and have school-age children would be required to register. In the society as a whole, 7 out of 10 mothers who are family heads and have school-age children are in the labor force. We should understand that these working mothers will expect the mothers drawing family assistance to expend as much effort in support of their families as they do. This is simple equity.

In the case of mothers with very young children, opinions are more mixed at this point in time about whether such mothers should work or be home with their children. There are strongly held views that such mothers should be with their young children. There are also strongly held views that they should work, and that their children would be better off in quality day care facilities. In the society as a whole, somewhat less than half of such mothers work, so no clear consensus has emerged. We believe it wise to let these mothers decide this matter for themselves. Based on our experience with the WIN program, we think a considerable proportion of these mothers will actually volunteer for employment and training.

Now, the reason for the other exemptions is largely self-evident. If there is a father who is working or registered for work, we see no reason to insist that the wife work also, and transfer the cost of child care to the public. Students in school are doing what in all likelihood is best for themselves and for society. We do not believe they should be forced into employment.

A very important point to be made about the work requirement provision in the family assistance plan is the marked improvement it makes over the present work requirement contained in the WIN program. We want to stress this. The Nation is fortunate, we feel, to have had WIN program experience. We can capitalize on its strengths and remedy its deficiencies. In WIN, State welfare agencies now determine who is "appropriate" for referral to the employment service. This leaves the registration requirement in the hands of the State welfare agencies. These agencies have taken widely varying attitudes toward the work requirement.

This is reflected, for example, in the fact that the State of Maryland has referred to the employment service only 13 percent of the welfare clients assessed for referral, while next door West Virginia has re-

ferred 96 percent of those assessed. In some cases, State welfare agencies are just not in sympathy with the WIN program work test. In other cases there is wide disagreement among the States regarding the application of the work requirement.

We believe that the fact that the application of the work test is spelled out as national policy in the proposed law, rather than leaving it to the direction of the State welfare departments, will mean more equitable treatment of families regardless of where they live, and that the intent of Congress to require a strong and evenly administered work requirement will be realized.

The determination of just what kind of jobs registrants will be offered by the employment service, and required to take as a condition of receiving benefits, deserves careful attention. A similar problem once existed in setting up the unemployment insurance system. Over the years, however, satisfactory and generally acceptable practices have been developed.

The administration's bill required acceptance of "suitable" work, relying heavily on the practice developed over the years in unemployment insurance. The Ways and Means Committee thought this ought to be made more specific, and amended the bill.

However, as you know, on the floor of the House, there was dissatisfaction with the use of the unemployment insurance criteria in the Family Assistance Act. It was felt that there ought to be a separate definition.

Therefore, the House deleted the word "suitable" and the specifics added by the committee. In its place, the House substituted that a job could be refused "if the individual has the demonstrated capacity, through other available training or employment opportunities, of securing work that would better enable him to achieve self-sufficiency."

It is not our intent, and never has been, to use the provision defining what kind of jobs recipients had to take to weaken the work requirement. The job an individual should take should not be wholly a matter of choice on the part of the individual, but should be a determination on the part of the manpower agency.

In making such determinations, we have no prejudices against whole categories of jobs. If the person has no skills, he or she will have to take an unskilled job, unless we have suitable training opportunities available. We are not remaking the American labor market in this bill, and fully realize that people are going to have to do the work that is available in our economy—the kind of work other Americans not on welfare are doing every day.

On the other hand, our intention is to help make people financially independent. We want to get them into jobs at their highest skill. This will both help them and eliminate or reduce allowance payments to the maximum extent possible.

So that there can be no doubt about our intent in this matter, we have proposed some changes in this provision in the House passed bill. Under the new language, there would be good cause for refusing a job offer "if the individual has the ability, based on skills or prior experience, to acquire other employment that would contribute more to his self-sufficiency, but only if the Secretary of Labor is satisfied

that such employment is actually available in the community, and the individual has not been given adequate opportunity to obtain it."

This provision, I believe, is definitive and at the same time fair.

THE MANPOWER PROGRAM AND THE FAMILY ASSISTANCE RECIPIENT

Since the Family Assistance Act places strong emphasis on employment and training as vital elements in making recipients self-supporting, this committee will be interested in how the Department of Labor views the capability of the Government's manpower program for this important assignment.

Beginning about 1962, a steady buildup has occurred in the capacity of the manpower program through new manpower legislation and increased appropriations. I would like to give you the dimensions of the present total manpower capability.

There are 54 State and territorial employment security agencies, with 2,200 local offices, with 41,000 Federal and State placement personnel.

By the end of 1971, we expect to have 81 computerized job banks in operation in these offices, we now have 46.

During 1971, we expect to have 462,000 persons enrolled in classroom training and basic education, using—

10,000 public and private schools.

70 special skill training centers for the disadvantaged.

40 correctional institutions for training inmates.

96 opportunities industrialization centers.

During 1971, we will have 234,000 persons enrolled in the on-the-job training involving 22,700 participating companies.

During 1971, we will have 538,000 persons engaged in work support and work experience programs, involving 1,500 sponsors.

This adds up to a \$2.7 billion manpower program for 1971.

In the family assistance plan itself, we are proposing 225,000 additional training opportunities in the first year specifically for family assistance recipients. One hundred and fifty thousand of these opportunities would be for the unemployed and persons newly entering the labor market. The remaining 75,000 represent a first-year start on upgrading the skills of the working poor. That is a start.

The present WIN program is entirely made up of public assistance recipients. However, the capability for using the manpower program to move welfare recipients from welfare rolls to payrolls is considerably larger now than just the WIN program. For example, in fiscal year 1969, about 200,000 welfare clients were trained in our programs, of which about a third received training in the WIN program itself.

The WIN program, while still too young to have wholly measurable results—having been in operation only about 18 months—does provide a useful basis on which to expand training under the Family Assistance Act. While the WIN program like others encountered some problems in its startup phase, we believe that our experience with it, plus improvements made in the Family Assistance Act to which I have already referred, will permit us to overcome these problems.

In the meantime the WIN program itself is beginning to gather steam and produce results. Since we testified before the House Ways and Means Committee in October, cumulative enrollments in the WIN program have jumped from 106,004 to 157,000 at the end of May, an

increase of 48 percent. Much of this increase has been due to the intensive efforts of the Manpower Administration and HEW to identify program areas that were lagging and send teams to those areas to work out problems.

While the program is in its infancy, it has already started to produce significant results. This is indicated by the special survey the Manpower Administration made in six States of 4,600 employed WIN graduates. These graduates were employed in a broad band of occupations. The majority were in clerical and sales work, service, and production, assembly, and construction occupations. The median earnings of the graduates were \$2.27 per hour, with one out of five earning \$2.50 per hour or more.

So far, our experience in job placement for those who do complete their training has been quite good, with 90 percent of completers being placed in jobs. This number is so favorable that it almost seems suspect, but that is the story.

These results are in line with our general experience with manpower training programs, which leads us to state with confidence that training can be a very significant tool in the total kit of the Family Assistance Act for reducing dependency.

We recognize that the Family Assistance Act places an added dimension on the manpower program. The initial required registration of 2.5 million people plus many volunteers is itself a very large assignment. We do not regard the responsibility lightly.

EMPLOYABILITY AND THE AVAILABILITY OF JOBS

In the course of legislative action thus far, the question posed frequently has been whether a significant portion of the family assistance recipients, were, or could be made employable.

In cooperation with the Urban Institute, we have made some estimates of how many adults covered by family assistance could be considered likely candidates for employment or training. We have estimated that about 2.8 million have good employment potential. This does not mean that there were not others we can work with, but this group is considered an especially good risk group from the standpoint of employment prospects.

The estimates were arrived at by examining the characteristics of the covered population. We subtracted out less likely prospects such as those over 49 years of age, the disabled, those with less than 5 years of schooling, mothers with two or more preschool children, and those in school full time, and found that 43 percent remain that have reasonable employment potential.

This remaining employable group has had considerable work experience. Out of 1.1 million employable male heads of families, only 20,000 have no work experience during a 12-month period. Even for female heads, fully 60 percent have work experience during a 12-month period. So we think our expectations are realistic about achieving employability.

A related question often asked is whether there will be jobs at the end of the training line. Except for infrequent, and short-lived economic downturns, the American economy through the years is both growing and dynamic.

The amount of hiring activity that regularly takes place in the American labor market can be illustrated. Of a total of 73 million persons employed in January of 1968, 29 million had been hired on their then existing jobs within the preceding 12 months. This does not include a lot of seasonal hires because such workers are typically not in the employed labor force in January.

Looked at another way, in 1968, an average of 3.6 million workers entered jobs each month either from the ranks of the unemployed or from those not in the labor force. This figure does not include the large number moving from one job to another during a month without experiencing unemployment in between. In addition, the Bureau of Labor Statistics expects an average increase of 2 million new jobs each year in clerical, sales, service, and operative occupations.

These are jobs for which welfare recipients are good candidates.

The combination of the fact that many family assistance recipients have employment potential, and that large numbers of job openings continually occur in the American economy, gives me confidence that the employment aspects of the family assistance plan have bright prospects for success.

In any discussion of the family assistance plan, the question of the role of public employment arises. We believe there is an important role public sector employment can and should play. However, we do not support the large scale WPA approach to the problem, and we do not for two reasons.

The first reason is that we do not believe large-scale public job creation is needed. In the dynamic and growing economy described above, we believe we can train most people for the real jobs that exist. In fact, we plan to gear our manpower effort to what the economy can absorb, and the speed with which we can enlarge the training effort from an administrative standpoint.

The second reason is that such a large-scale program would be substituting one form of dependency for another. We want to face the problem directly by moving welfare recipients into the mainstream of life, and not take the route of shunting them to welfare jobs.

However, public sector employment is an important addition to the manpower program if we approach it carefully and wisely.

We believe training programs can prepare the disadvantaged for the regular jobs that are coming available in the public sector. We are doing this under our public service careers program, and are now in the process of enlarging that program. These are "regular" jobs, and it is as important to gain access to these jobs for the disadvantaged as it is in the case of real jobs in the private economy.

Further, we endorse the idea of special works projects. We ought to have a portion of our manpower funds in temporary public employment. This gives us a work experience component for those who need it. Our goal here, however, is to review these cases periodically and try to move the enrollees as soon as possible into regular jobs or into training for regular jobs. The need for these special work projects will vary from time to time and from place to place depending on the state of the local labor market. Therefore, we prefer a noncategorical approach, rather than earmarking the funds.

Unfortunately, the present financing arrangements in WIN for special works projects has prevented us from launching an effective special works projects program. These problems would be corrected in the bill before you and would provide the flexibility we need to mount a program.

THE WORKING POOR

Now, I would like to turn to a discussion of the working poor, and here if I were to observe what the single most important reform was in the Family Assistance Act, I would say it is the inclusion of the working poor.

Somewhere along the line, we got mixed up about what the appropriate rewards and penalties ought to be for economic behavior. We now provide income support for those who do not work, and until recently took all their earnings away if they did decide to go to work. On the other hand, to the man working full time, day in and day out, and still earning so little that he and his family are living in poverty, we have simply said "you are on your own."

This is an upside down approach. If a man is willing to help himself and his family to the extent of holding a full-time job that results in poverty income, he deserves a helping hand.

Such a working father, living next door to a family supported entirely by welfare, may find that when he and his neighbor go through the line at the supermarket, the welfare family can afford better food than he can. Such a situation is hardly calculated to make him feel that work really pays off. It is a major disincentive. While he may continue to work in spite of his feeling, we are, at a minimum, contributing to an unhealthy, divisive situation in American life between the working population and the welfare population.

From the standpoint of the children in a working poor family—and after all this is a program for families with children—they can be just as poor, just as hungry, and just as cold, as the children of a family where the mother cannot work. If this is a program to help poor children, and it is, their need, not the current labor force status of the parent, should control whether they are to receive help.

And, if the children in working poor families are adequately fed and clothed, they are good prospects for getting through school, and in turn becoming steady workers. Where the father works, the children learn that work is normal and expected in life.

It should be pointed out that the working poor are not likely to be long-term income assistance recipients. An average of about 200,000 work up beyond poverty levels every year on their own. With the aid of the Family Assistance Act, we can increase this movement into the mainstream of American life.

Mr. Chairman, here are the main points that, I believe, I wanted to stress in my formal statement.

We are asking for a system that uses market incentives to motivate people to work, the same kind of incentives that have made the United States the most productive Nation in history.

We are also asking for a system that is equitable, one that recognizes the needs of all families and children in poverty.

We believe the work incentive features of FAP are both desirable and workable. Revisions of FAP made since May enhance their effectiveness.

We believe the Manpower Administration has the basic organizational structure and experience to carry the administrative burden contemplated by FAP.

This is going to cost money. In the private sector money is seldom made without investment, without patience, and without the endeavor that results in future benefits. We believe that we are making an investment in human independence, dignity, and self-sufficiency—one that we will reap both social and economic benefits in the years to come.

I thank the chairman and committee members for this opportunity to present our statement.

(The Secretary's prepared statement follows. Hearing continues on p. 788.)

STATEMENT OF JAMES D. HODGSON, SECRETARY OF LABOR

Mr. Chairman, and members of the Committee, I believe the Family Assistance Act is one of the most significant pieces of social legislation in the last 50 years. It is a pleasure to appear before you today to testify on welfare reform.

I will not repeat the conclusive testimony you have received from others that the present welfare program is a failure.

The over-riding point I want to make at the outset is that the Family Assistance Plan is not—by concept or design—a "guaranteed income plan" or a "negative income tax." The Nixon Administration does not agree with those approaches.

It is, instead, a complementary array of work incentives, work requirements, training and employment opportunities, child care to enable mothers to work, and income allowances.

Its starting point is not a guaranteed income, but the forward looking changes made by this Committee in 1967 with regard to a work requirement, work incentives, and training and child care opportunities.

It is the work incentive aspect of the legislation that this Committee examined thoroughly in its initial hearings. We understand your conclusion was that the bill did not go far enough in assuring that work incentives were adequately protected in other legislation outside the scope of the original Family Assistance Act. The Committee was right in asking that we raise our sights with regard to protecting work incentives.

What you have suggested is wholly in accord with the statement of President Nixon in his address to the Nation last August that "any system which makes it more profitable for a man not to work than to work . . . is wrong and indefensible."

I will summarize the ways in which the Family Assistance Act provides for work incentives, including the new proposals made last month which go beyond our original bill.

WORK INCENTIVES AND THE FAMILY ASSISTANCE STRUCTURE

1. The proposed Family Assistance Act emphasizes market incentives to move welfare clients from welfare rolls to payrolls.

Family Assistance recipients will retain the first \$60 of monthly earnings with no reduction in the Family Assistance payment. They will also retain one-half of earnings above \$60.

In the 42 States that would be paying a supplement to the Family Assistance benefit, the first \$60 of earnings would also be retained with no reduction in the supplement. The States are directed to subtract from the supplement only 17 cents of every additional dollar of earnings.

The result is that in States with a supplement, recipients will retain the first \$60 and 33 percent of additional earnings; while in States without a supplement, the first \$60 and 50 percent of additional earnings will be retained.

In the case of the working poor, there is no State supplement, so the "tax" on earnings, under the Family Assistance Plan, will not exceed 30 percent.

The "disregard" of the first \$60 of earnings represents a standardization of the costs of going to work. If the Family Assistance check were reduced for this first \$60, the recipient would be out-of-pocket because of the extra costs involved in going to work, and there would be a disincentive to accept employment.

The \$60 is based on budget studies made by the Bureau of Labor Statistics of outlays made for the added cost of food, transportation, clothing, personal care, medical care, payroll deductions, and occupational needs such as tools, licenses, and union dues.

In addition, there is a separate disregard for child-care expenses.

Another strong inducement to enter the world of work is the special incentive which would be paid under the Family Assistance Plan to encourage entry into training programs. The present WIN program provides the public assistance payment plus a flat \$80 extra per month for persons who enter training programs. The Family Assistance Plan provides a *minimum* of \$30 extra, but also allows a higher payment—for those meeting the eligibility requirements for training allowances—when the regular training allowance would be greater than the Family Assistance Payment plus the standard \$80. In such cases, a family would get the higher training allowance amount.

Not only does this provide a higher incentive payment in the majority of States, but it also provides equitable treatment, since welfare recipients being trained side-by-side with other persons enrolled in training programs will be receiving the same income.

2. The Family Assistance Plan contains a strong work requirement

Except for exemptions specifically provided for in the bill, all able-bodied adults would be required to register with the Employment Service, and accept training or employment. Failure to register for employment, or failure to accept offers of training or employment, will mean cancellation of benefits. In fact, the first allowance check will not be issued until registration with the Employment Service has taken place. We estimate that 2.5 million people will be required to register for training or work.

3. The Family Assistance Plan provides an expanded and improved program of training opportunities, including upgrading of the working poor

We expect that a large number of registrants will have sufficient skills and work experience to place them on the job without the necessity of further skill training. But some will not. For these, in addition to the present capacity of the manpower program for training and employment assistance and the WIN program aimed entirely at welfare recipients, training opportunities would be expanded by 225 thousand under the Family Assistance Plan. Seventy-five thousand of these opportunities would constitute a pilot effort to upgrade the skills of the working poor.

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We believe these will be minimized by a number of provisions in the Family Assistance Plan which go beyond those of WIN:

- 100 percent Federal financing of child care, thus removing the present need for the States to provide 25 percent of the funds.
- Use of a wide range of sponsors, including profit making enterprises.
- Expenditures for remodeling and renovating facilities.
- Authority to continue child care after employment commences, so that a mother does not find herself unable to work after she has received training at government expense.
- A separate "income disregard" for expenses of private child care when public child care is not available, so that the mother will be reimbursed, in effect.

The Family Assistance Plan provides for an additional 450,000 child care opportunities. It does cost money. However, it should be recognized that these costs are really an investment in two generations. They are an investment in the present generation in the sense that they free mothers for training and employment. The costs are also an investment in the next generation because they provide children with an early education, quality care, and attention to health and other needs.

In addition to complementing strong financial incentives to work, the provision of child care itself can be viewed as a major incentive to employment.

5. The coverage of the working poor curtails the present practice of penalizing work at the same time we reward non-work

In the present welfare system, rewards have been put in the wrong place. We have been willing to extend assistance to those who do not work at all. We should still do this when there is a justifiable reason for not working. But under past systems, we have done nothing for the man who works at a full-time but inadequate paying job for a full year and still finds his family living in poverty. Incentives have been in the wrong place. Penalties for working are as wrong as rewards for idleness.

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The bill would require that such a plan be developed for all who register. At the outset we will need to set priorities since the volume of registrations will be greater than available resources. This means that manpower agency personnel will assess the needs of the individual, ascertain what manpower services are required by that person to become self-supporting, and following through to assist the individual to complete the plan.

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In addition to these aspects that emphasize work, and in response to your criticisms of last May, we have proposed some major additions that further enhance the work incentive features of this legislation.

1. The combined tax on the Federal allowance and the State supplement is limited to 67 percent. You will recall that previously the tax on the State supplement would have jumped to 80 percent after the Federal allowance ran out.

2. Earned income is now defined to exclude Federal income taxes. This will lower the marginal tax rate somewhat in the better income brackets of the eligible population.

3. Family Assistance and Food Stamps would be administered together. The Food Stamp price schedule will be revised to make the price rise more even as income increases, thus further removing employment disincentives. The commodity program will be eliminated.

4. A new Family Health Insurance Plan—to be submitted by the Administration in February—will have premiums scaled upwards with income so work incentives are sustained.

5. A new rent schedule for Public Housing is proposed in which rents vary somewhat with income. This is done to eliminate situations where a small increase in earnings could force a family to move and thus create a disincentive to increase earnings.

6. Elimination of the "unemployed father" program, so that a father who goes to work would not be worse off than a father who does not.

7. A strengthened work test, with increased financial penalties for refusal to accept work.

8. Authority to construct child care facilities, if necessary, which will help assure that lack of child care facilities will not become a barrier to training or employment.

In combination, the original and newly proposed work incentive features of the Family Assistance Act represent a powerful force to assist welfare recipients to become self-supporting citizens. Over time such action should reduce the growing financial burden of welfare on taxpayers.

I will explore some of these points in greater detail in the remainder of my testimony.

REGISTRATION FOR EMPLOYMENT AND TRAINING

The Family Assistance Plan requires adults to register with the local manpower agency for manpower services, training, and employment. Out of an estimated 7.7 million persons age 16 and over who would be covered by the Plan in 1971, the following groups would be exempted:

- 1.7 million wives of family heads
- 1.0 million mothers with children under six years old
- .9 million who are ill, incapacitated, or of an advanced age
- 1.3 million full-time students, and
- 3 million persons needed in the home to care for an ill member of the household.

This leaves 2.5 million persons who would be required to register, which includes 1.2 million who are already working full-time. Originally, the Administration's bill had exempted persons working full-time. However, the House Ways and Means Committee thought they should register so that an employability plan could be worked out which would lead to upgrading their employment. We agreed.

Mothers who are heads of households and have school-age children would be required to register. In the society as a whole, seven out of ten mothers who are family heads and have school-age children in the labor force. We should understand that these working mothers will expect the mothers drawing Family Assistance to expend as much effort in support of their families as they do. This is simple equity.

In the case of mothers with very young children, opinions are more mixed at this point in time about whether such mothers should work or be home with their children. There are strongly held views that such mothers should be with their young children. There are also strongly held views that they should work, and that their children would be better off in quality day care facilities. In the society as a whole, less than half of such mothers work, so no clear consensus has emerged. We believe it wise to let these mothers decide this matter for themselves. Based on our experience with the WIN program, we think a considerable proportion will volunteer for employment and training.

The reason for the other exemptions is largely self-evident. If there is a father who is working or registered for work, we see no reason to insist that the wife work also, and transfer the cost of child care to the public. Students in school are doing what in all likelihood is best for themselves and society. We do not believe they should be forced into employment.

A very important point to be made about the work requirement provision in the Family Assistance Plan is the marked improvement it makes over the present work requirement contained in the WIN program. The Nation is fortunate to have had WIN program experience. We can capitalize on its strengths and remedy its deficiencies. In WIN, State welfare agencies now determine who is "appropriate" for referral to the Employment Service. This leaves the registration requirement in the hands of the State welfare agencies. These agencies have taken widely varying attitudes toward the work requirement.

This is reflected, for example, in the fact that the State of Maryland has referred to the Employment Service only 13 percent of the welfare clients assessed for referral, while next door West Virginia has referred 98 percent of those assessed. In some cases, State welfare agencies are just not in sympathy with the WIN program work test. In other cases there is wide disagreement among the States regarding the application of the work requirement.

We believe that the fact that the application of the work test is spelled out as National policy in the proposed law, rather than leaving it to the direction of the State Welfare Departments, will mean more equitable treatment of families regardless of where they live, and that the intent of Congress to require a strong and evenly administered work requirement will be realized.

The determination of just what kind of jobs registrants will be offered by the Employment Service, and required to take as a condition of receiving benefits, deserves careful attention. A similar problem once existed in setting up the Unemployment Insurance system. Over the years, however, satisfactory and acceptable practices have been developed.

The Administration's bill required acceptance of "suitable" work, relying heavily on the practice developed over the years in Unemployment Insurance. The Ways and Means Committee thought this ought to be made more specific, and amended the bill.

However, on the floor of the House, there was dissatisfaction with the use of the unemployment insurance criteria in the Family Assistance Act. It was felt that there ought to be a separate definition.

Therefore, the House deleted the word "suitable," and the specifics added by the Committee. In its place, the House substituted that a job could be refused "if the individual has the demonstrated capacity, through other available training or employment opportunities, of securing work that would better enable him to achieve self-sufficiency."

It is not our intent, and never has been, to use the provision defining what kind of jobs recipients had to take to *weaken* the work requirement. The job an individual should take should not be a matter of choice on the part of the individual, but should be a determination on the part of the manpower agency.

In making such determinations, we have no prejudices against whole categories of jobs. If the person has no skills, he or she will have to take an unskilled job, unless we have suitable training opportunities available. We are not remaking the American labor market in this bill, and fully realize that people are going to have to do the work that is available in our economy—the kind of work other Americans not on welfare are doing every day.

On the other hand, our intention is to help make people financially independent. We want to get them into jobs at their highest skill. This will both help them and eliminate or reduce allowance payments to the maximum extent possible.

So that there can be no doubt about our intent in this matter, we have proposed some changes in this provision in the House passed bill. Under the new language, there would be good cause for refusing a job offer "if the individual has the ability, based on skills or prior experience, to acquire other employment that would contribute more to his self-sufficiency, but only if the Secretary of Labor is satisfied that such employment is actually available in the community, and the individual has not been given adequate opportunity to obtain it"

This provision, I believe, is definitive and at the same time fair.

THE MANPOWER PROGRAM AND THE FAMILY ASSISTANCE RECIPIENT

Since the Family Assistance Act places strong emphasis on employment and training as vital elements in making recipients self-supporting, this Committee will be interested in how the Department of Labor views the capability of the government's manpower program for this important assignment.

Beginning about 1962, a steady buildup has occurred in the capacity of the manpower program through new manpower legislation and increased appropriations. I would like to give you the dimensions of the present total manpower capability:

- There are 54 State and territorial Employment Security Agencies, with 2,200 local offices, with 41,000 Federal and State placement personnel
- By the end of 1971, we expect to have 81 computerized Job Banks in operation in these offices
- During 1971, we expect to have 462 thousand persons enrolled in classroom training and basic education, using—
 - 10,000 public and private schools
 - 70 special skill training centers for the disadvantaged
 - 40 correctional institutions for training inmates
 - 96 Opportunities Industrialization Centers
- During 1971, we will have 234,000 persons enrolled in on-the-job training involving 22,700 participating companies
- During 1971, we will have 538,000 persons engaged in work support and work experience programs, involving 1,500 sponsors.

This adds up to a \$2.7 billion manpower program for 1971.

In the Family Assistance Plan itself, we are proposing 225,000 additional training opportunities in the first year specifically for Family Assistance recipients. One hundred and fifty-thousand of these opportunities would be for the unemployed and persons newly entering the labor market. The remaining 75,000 represent a first year start on upgrading the skills of the working poor.

The present WIN program is entirely made up of public assistance recipients. However, the capability for using the manpower program to move welfare recipients from welfare rolls to payrolls is considerably larger than just the WIN program. For example, in fiscal year 1969, about 200,000 welfare clients were trained in our programs, of which only about a third received training in the WIN program itself.

The WIN program, while still too young to have wholly measurable results—having been in operation only about 18 months—does provide a useful basis on which to expand training under the Family Assistance Act. While the WIN program like others encountered some problems in its startup phase, we believe that the improvements made in the Family Assistance Act to which I have already referred, will permit us to overcome these problems. (See attached chart.)

In the meantime the WIN program itself is beginning to gather steam and produce results. Since we testified before the House Ways and Means Committee in October, cumulative enrollments in the WIN program have jumped from 108,004 to 157,000 at the end of May, an increase of 48 percent. Much of this increase has been due to the intensive efforts of the Manpower Administration and HEW to identify program areas that were lagging and send teams to those areas to work out problems.

While the program is in its infancy, it has already started to produce significant results. This is indicated by the special survey the Manpower Administration made in six States of 4,600 employed WIN graduates. These graduates were employed in a broad band of occupations. The majority were in clerical and sales work, service, and production, assembly, and construction occupations. The median earnings of the graduates were \$2.27 per hour, with one out of five earning \$2.50 per hour or more.

So far, our experience in job placement for those who do complete their training has been quite good, with 80 percent of completers being placed in jobs.

These results are in line with our general experience with manpower training programs, which leads us to state with confidence that training can be a very significant tool in the total kit of the Family Assistance Act for reducing dependency.

We recognize that the Family Assistance Act places an added dimension on the manpower program. The initial required registration of 2.5 million people plus many volunteers is itself a very large assignment. We do not regard the responsibility lightly.

EMPLOYABILITY AND THE AVAILABILITY OF JOBS

In the course of legislative action thus far, the question posed frequently has been whether a significant portion of the Family Assistance recipients, were, or could be made employable.

In cooperation with the Urban Institute, we have made some estimates of how many adults covered by Family Assistance could be considered likely candidates for employment or training. We have estimated that about 2.8 million have good employment potential. This does not mean that there are not others we can work with, but this group is considered an especially good risk group from the standpoint of employment prospects.

The estimates were arrived at by examining the characteristics of the covered population. We subtracted out less likely prospects such as those over 49 years of age, the disabled, those with less than 5 years of schooling, mothers with two or more pre-school children, and those in school full-time, and found that 48 percent remain that have reasonable employment potential.

This remaining employable group has had considerable work experience. Out of 1.1 million employable male heads of families, only 20,000 have no work experience during a 12-month period. Even for female heads, fully 80 percent have work experience during a 12-month period. So we think our expectations are realistic about achieving employability.

A related question often asked is whether there will be jobs at the end of the training line. Except for infrequent, and short-lived downturns, the American economy is both growing and dynamic.

The amount of hiring activity that regularly takes place in the American labor market can be illustrated. Of a total of 73 million persons employed in January of 1969, 20 million had been hired on their then existing jobs within the preceding 12 months. This does not include a lot of seasonal hires because such workers are typically not in the employed labor force in January.

Looked at another way, in 1968, an average of 3.6 million workers entered jobs *each month* either from the ranks of the unemployed or from those not in the labor force. This figure does not include the large number moving from one job to another during a month without experiencing unemployment in between. In addition, the Bureau of Labor Statistics expects an average increase of 2 million new jobs each year in clerical, sales, service and operative occupations.

The combination of the fact that many Family Assistance recipients have employment potential, and that large numbers of job openings continually occur in the American economy, gives me confidence that the employment aspects of the Family Assistance Plan have bright prospects for success.

In any discussion of the Family Assistance Plan, the question of the role of public employment arises. We believe there is an important role public sector employment can and should play. However, we do not support the large scale WPA approach to the problem for two reasons.

The first reason is that we do not believe large scale public job creation is needed. In the dynamic and growing economy described above, we believe we can train most people for the jobs that exist. In fact, we plan to gear our manpower effort to what the economy can absorb, and the speed with which we can enlarge the training effort from an administrative standpoint.

The second reason is that such a large scale program would be substituting one form of dependency for another. We want to face the problem directly by moving welfare recipients into the mainstream of life, and not take the route of shunting them to welfare jobs.

However, public sector employment is an important addition to the manpower program if we approach it carefully and wisely.

We believe training programs can prepare the disadvantaged for the regular jobs that are coming available in the public sector. We are doing this under our Public Service Careers program, and are now in the process of enlarging that program. These are "regular" jobs, and it is as important to gain access to these jobs for the disadvantaged as it is in the case of jobs in the private economy.

Further, we endorse the idea of Special Works Projects. We ought to have a portion of our manpower funds in temporary public employment. This gives us a work experience component for those who need it. Our goal here, however, is to review these cases periodically and try to move the enrollees as soon as possible into regular jobs or into training. The need for these Special Work Projects will vary from time to time and from place to place depending on the state of the local labor market. Therefore, we prefer a noncategorical approach, rather than earmarking the funds.

Unfortunately, the present financing arrangements in WIN for Special Works Projects has prevented us from launching a program. These problems would be corrected in the bill before you and would provide the flexibility we need to mount a program.

THE WORKING POOR

If I were to observe what the single most important reform was in the Family Assistance Act, I would say it is the inclusion of the working poor.

Somewhere along the line, we got mixed up about what the appropriate rewards and penalties ought to be for economic behavior. We now provide income support for those who do not work, and until recently took all their earnings away if they did decide to go to work. On the other hand, to the man working full-time, day in and day out, and still earning so little that he and his family are living in poverty, we have said you are on your own.

This is an upside down approach. If a man is willing to help himself and his family to the extent of holding a full-time job that results in poverty income, he deserves a helping hand.

Such a working father, living next door to a family supported entirely by welfare, may find that when he and his neighbor go through the line at the supermarket, the welfare family can afford better food than he can. Such a situation is hardly calculated to make him feel that work really pays off. While he may continue to work in spite of his feeling, we are, at a minimum, contributing to an unhealthy, divisive situation in American life between the working population and the welfare population.

From the standpoint of the children in a working poor family—and after all this is a program for families with children—they can be just as poor, just as hungry, and just as cold, as the children of a family where the mother cannot work. If this is a program to help poor children, their need, not the current labor force status of the parent, should control whether they are to receive help.

And, if the children in working poor families are adequately fed and clothed, they are good prospects for getting through school, and in turn becoming steady workers. Where the father works, the children learn that work is normal and expected in life.

It should be pointed out that the working poor are not likely to be long term income assistance recipients. An average of about 200,000 work up beyond poverty levels every year on their own. With the aid of the Family Assistance Act, we can increase this movement into the mainstream of American life.

CONCLUSION

Mr. Chairman, here are the main points I wanted to stress in my formal statement.

We are asking for a system that uses market incentives to motivate people to work, the same kind of incentives that have made the United States the most productive Nation in history.

We are asking for a system that is equitable, one that recognizes the needs of all families and children in poverty.

We believe the work incentive features of FAP are both desirable and workable. Revisions of FAP made since May enhance their effectiveness.

We believe the Manpower Administration has the basic organizational structure and experience to carry the administrative burden contemplated by FAP.

This is going to cost money. In the private sector money is seldom made without investment, without patience, and without the endeavor that results in future benefits. We believe that we are making an investment in human independence, dignity, and self-sufficiency—one that we will reap both social and economic benefits in the years to come.

FAP WOULD IMPROVE ON WIN IN SIX IMPORTANT AREAS

Problem Areas in WIN

1. Incentives for training are too low.
2. The Employment Service cannot directly help enrollees meet personal expenses related to training.
3. The requirement for substantial State dollar contributions is a major impediment.
4. The "referral" relationship between welfare and employment agencies is too discretionary and variable, resulting in gaps and lax enforcement.
5. Dual agency responsibility and guidelines create confusion and conflict.
6. The lack of adequate child care is a major barrier to training and employment.

Provisions of WIN

Trainees receive a maximum of \$30 a month in addition to their welfare payment. [SSA Sec. 434]

Expenses attributable to training are taken into account by the State welfare agencies in determining need. [SSA Sec. 402(a)(18)(D)(11)]

Federal assistance for training is limited to 80% for child care to 75%. [SSA Secs. 435(a) and 403(a)(3)(A)]

Welfare agencies refer "appropriate" individuals, as interpreted and determined by each State agency.

Procedures for disqualification, for example, provide that both Labor and State Welfare agencies make related, but possibly differing, determinations. [SSA Sec. 402(a)(19)(F)]

State welfare agencies provide for child care services; 25% matching is required. [SSA Sec. 403(a)(3)(A)]

Provisions of FAP

Trainees would receive a minimum of \$30 additional per month, but where the manpower training payment exceeds the FAP payment plus this \$30, the family would receive the difference between the two. [FAP Sec. 432(a)(1)]

The Secretary of Labor would make payments directly to trainees to cover their training costs. [FAP Sec. 432(a)(2)]

The matching formula would be 90-10 for training, and 100% federal for child care. [FAP Secs. 435 and 436]

The statute would require that every adult, able-bodied member of a family receiving assistance must register for work or training. The only exceptions are clearly specified in the bill. [FAP Sec. 447]

Responsibilities are clearly delineated with respect to registration, training and work, with no second-guessing; a separate appropriation is provided for the Secretary of Labor. [FAP Secs. 447, 448, and 435]

The burden of State matching would be eliminated; authority is flexible with respect to who provides the service and what form it takes, and includes renovation; child care continues for those who enter employment. [FAP Secs. 436 and 443(b)(3)]

The CHAIRMAN. Thank you for your statement, Mr. Secretary.

I indicated in the opening statement my disappointment in finding that, after we had a group of people who came before this committee to protest and even conduct a sitdown strike against putting any of their group to work, we found that your department—and I am not going to blame you as the administrator, that is before you went there—had made a grant of more than \$400,000 to help show those who made the intrusion, and their membership, how not to go to work.

Now, is that money still being spent to help them frustrate and to defeat the work incentive program?

Secretary HODGSON. Mr. Chairman, I took office on July 2. On June 30, the contract with that organization ceased to be in effect in the Labor Department.

The CHAIRMAN. I am pleased to know that. There is another Department subsidizing that same type of activity. I hope we will not have any more Federal money being expended to frustrate the very program you are trying to administer.

I want to congratulate and commend you for not extending that contract.

Would you agree with me, Mr. Secretary, that we would be a lot better off training people for jobs that do exist rather than training them for jobs that do not exist?

Secretary HODGSON. I believe that we have to say that is not only the objective in training for welfare recipients, but training in general, and it is one of the things that we, in the Labor Department, try to pay close attention to in allocating money for training. We assess the needs of the labor market, not only current needs but future needs, and try to apportion our moneys and get the most from our resources by so doing.

SPECIAL WORK PROJECTS

The CHAIRMAN. Mr. Secretary, in your statement you say that you do not favor the WPA-type expenditures.

The thought that occurs to me is that we should not be putting people on welfare when they are able to work. Along that line it would seem to me that we would be in a better situation to pay 100 percent of the expense of marginal jobs, if need be, in order to have them doing something for the benefit of society, rather than paying our money out, putting those people into bad work habits; that is, into no work habits, and subsidizing them into the life of a drone, and setting an example for their children for the same type conduct.

Now, one way, it seems to me, we might try to meet this problem would be to say that after making perhaps a 1 month's payment to a person who is hungry at the time, and destitute, to tell him he is not eligible for a second month's payment unless he works. If the city wants to put him to work doing something we will pay that same money and, perhaps, even more, pay 40 percent more, if need be, to insure him a job. Then when we add one more to welfare, that increases the number available we will pay for working.

Now, to me it is not as important what he is doing as the fact that he is doing something. We are moving him toward being a working, deserving citizen of the community and of this Nation, rather than the opposite.

When I go out to take a walk, I usually pick up the litter I find on the way just as sort of a contribution to help make the place a little better because I was there. People can do that sort of thing if we can find nothing better for them to do.

Lots of jobs can be created if we subsidize private industry to put some people to work that they they could not afford to put to work under other conditions.

Why should we not have available a lot of jobs—public works, beautification, things that need not be done immediately but could be done whenever people are available to do them? There are various things that can be done to improve the community, and additional marginal services that industry could provide which it would not provide if it did not have the labor available, all of which could be done by Government payments or by subsidizing private employers to hire these people.

Why shouldn't we have a lot of jobs available on a standby basis like that so we can just tell people there are jobs right there. "Here is a list of 50 jobs available to you, but there is no second month's welfare check coming."

Secretary Hodgson. Well, there are both questions involved here of what you do, how you do it, and how much you do.

I said in my statement that we created opportunities of the kind that you mentioned for better than half a million people in the past year.

We also emphasized in our statement the desirability of having available these special work projects.

We do think that it is advisable to make them special rather than general, for some very fundamental reasons. For one thing, there is obviously the question of cost. But there are other reasons.

The pattern of the labor market that has existed has produced a very substantial level of employment, and we do not want to completely revise the pattern of the existing labor market.

We do feel that special work projects as a device to provide work experience which, in turn, will help the person get real jobs in the future is desirable. But we do think these should be temporary, and that is the reason we suggest that they be followed up every 6 months to make sure that we do not build in as an integral part of the American scene dead, dead-end jobs that get the kind of reaction that the Nation got to WPA-type jobs.

So while we feel that the idea of using special work projects as a device in certain circumstances is one that we want to employ and use, we do not think it is the only one. We believe that there are other aspects to moving people from welfare to work. One of those aspects has to do with not just getting them on jobs, but giving them a certain kind of attention and direction and assistance and support in the early phases of their job, and this is an important aspect of this question, as well.

In summary, I guess I would say we accept the principle you are talking about. We want to apply it with some care and with some selectivity.

WORKING MOTHERS

The CHAIRMAN. Mr. Secretary, I can cite to you many cases of my own personal knowledge of absolutely inspiring stories of women who have not had previous work experience, good housewives and good

mothers, who found that their husbands had not been able to make adequate provision for them not to work in the event of his premature death and the magnificent things those women have done when the husband died and left them with children to support. I mean in terms of going to work and making a big success out of themselves. I am not talking about being a captain of industry, but finding good jobs and moving up in employment and providing inspiring examples of leadership in their communities.

Those women did that because for them it was absolutely unthinkable to be living under a standard that would drop them down to where they would have to seek public welfare. They did not even consider that prospect. To them there was only one thing to do, and that was go to work and support the children and maintain a home by whatever means were available. Those people did it without any help from their Federal Government or the State government, whatever.

Now, when we have moved down the ladder to people who have had less inspiration and less motivation to do that kind of thing, why should you leave it optional for her to decide whether she is going to go to work or live the rest of her life on welfare?

Why shouldn't somebody make that decision that she ought to go to work?

Secretary HODGSON. We do not make it optional for the woman who has children in school. We make it optional for the woman who has preschool children.

I think you are absolutely right about some of the magnificent accomplishments that have been made by women who are heads of families.

One of the most interesting statistics is that 7 out of 10 of these mothers are working and thereby supporting their families.

However, having been in industry where it is necessary to recruit people, and in times of labor shortages recruit types of people that do not normally come into the workforce, one of the principal concerns that we found with regard to mothers who would otherwise like to come to work is child care, and either the high cost of existing child care or the absence of it, keeps a great many of them from doing the kind of things you are suggesting, that is, going out and getting a job.

CHILD CARE

To me, one of the most important parts of this program for this kind of mother with that kind of problem—and there are a lot of them—is the provision for child care. It is a very important and essential aspect of the entire program, as we see it.

A Bureau of Labor Statistics survey shows that 40 percent of the people in urban slums who want jobs are blocked because of child care.

The CHAIRMAN. Well, Mr. Secretary, the reason why that latter situation is the case is just because of the failure to administer the child care program.

I have a bill in with which you are no doubt familiar which would set up a separate corporation to provide child care. It would have the responsibility to do nothing but provide child care.

In that way we cannot be arguing who is at fault, whether it is the HEW, Labor, or someone else, the city, the State, the county. We will have one corporation that would have the job of providing child care, and the child care would be available to all those people.

Have you looked at that bill enough to know whether you could testify to the general tenor of that bill?

Secretary HODGSON. I am sorry to say I have not looked at it that closely. I knew of its existence. Our feeling is that child care will probably have to take many forms because there will be many different kinds of circumstances. In some cases private industry will want to establish child care for the employees of that establishment or enterprise.

In other cases there will be child care centers operated for profit by organizations that do this as a community service.

There are many different kinds of arrangements that are suitable for child care. At this time, without knowing more about what is in your bill, I would only say we do not want to say there is only one type or one arrangement.

The important thing is to see that it is accomplished and it is available for mothers who need it, and there are many who do. I will be glad to take a closer look at it.

The CHAIRMAN. If we do not make a success out of anything, we ought to make a success out of child care. All it takes is money to do it with, and provide some standards and then motivate somebody to do the job.

Secretary HODGSON. There are a lot of reasons for child care, I would agree with you, other than the family assistance plan. There is a change in life style in this country with women increasingly desiring to work, women who do not necessarily have to be supported.

So child care is a broader thing than just the welfare plan.

The CHAIRMAN. Incidentally, that is one place where I think we could put some of these mothers to work as a starter, in some of these very child care facilities that we would hope to organize. I would think in many instances we could provide a job for her right there in the very child care facility where her own children could go.

Secretary HODGSON. Probably one of the things we would want to do early in our activity is to get some training going for people to be able to do this, and to do it well in the child care centers.

MOVING RECIPIENTS OFF THE WELFARE ROLLS

The CHAIRMAN. Now, Mr. Secretary, today we tell a person that:

We want you to go to work but with every dollar you make we are going to reduce your welfare payment by a dollar or by every \$10 we will reduce your welfare payments by \$3.

Which way do you think you would be more popular, first to put you in the position of telling those people "You have got to work, otherwise I am going to recommend that you be taken off welfare," or, second, to put you in the role of being a counselor and to say, "Inasmuch as you are not eligible and you cannot receive a payment next month, I will be happy to help you find a job?"

Which way do you think that recipient would regard you in a better light?

Secretary HODGSON. I think I have already committed myself on that subject in my statement. We have expressed a preference for moving people from the welfare status into work, and providing for it to be done on a basis other than just pointing to them and saying, "There is a job over there."

But I recognize the element of attractiveness about what you are saying here.

The only thing, or the principal thing, that concerns me about this concept is that there are so many people in the welfare population to whom merely being instructed to work and asking them to report to work really does not accomplish the job quite frequently of getting them into the world of work simply because they do not have the preparation for that work.

Now, back in the midsixties, a long time ago before the term "disadvantaged" was even popular, and before this concept had achieved a great deal of popularity, in the private corporation with which I worked we undertook an experiment in Santa Clara County in California of moving a number of welfare cases into jobs in this company.

We took several score of these people, both men and women, but we found that one thing was necessary to make sure that this experiment was a success: during the first 90 days or so of employment we provided these people with special services. They came into the world of work knowing very little about what was expected of them on the job.

Their understanding of what conduct was required, how to take supervisory orders, how to ask for information, the necessity of appearing on time and being available when they were supposed to be available, things of this kind, were frequently not understood, and special work had to be done with these people.

So the necessity of providing special attention through training, through counseling, through providing special services for this early period of time is a kind of bridge, a halfway house, between the person who is unemployed and just has not been able to make it in the world of work, and the person who is able to make it. This service is a very important bridge, we feel, between these disadvantaged people and what we call real jobs. And it is a bridge that can be made. We found that by providing these services, once we were able to find the kind of thing that was needed—and it only took us a short time to make this experiment a successful permanent arrangement—we retained better than two out of three of those people over a period of time.

They became good workers, and they came off welfare, and it was a very important aspect of the county's welfare reform. We even managed to get some assistance from the Federal Government in financing. This example shows that with some financial help, with some attention to the problems that these people have, you can accomplish this change from welfare to workfare. But you cannot do it always by just pointing.

NEED TO PASS A GOOD BILL

The CHAIRMAN. Mr. Secretary, I suspect the staff should have already called time on me, because I believe my 10 minutes are up.

Secretary HODGSON. They probably should have called time on me.

The CHAIRMAN. No; we want to be sure we have your views fully before we are through with you as a witness here.

But I want you to know that I think I speak for the majority on this committee when I say that we want to pass a good bill, a bill that you can come here a year from now and take great pride in. We do not want to have a bill that you would have to be here a year or 2 years from now or one that would cause your successor to come here and have to apologize for its failures.

I do not want of be, a year from now, or 2 years from now, complaining that the work incentive program, for example, is not working in a way that was intended when I initiated that suggestion before this committee. If we can achieve the things you are hoping to do here, I would very proudly support this bill and vote for any amount of money it might take. The cost of it is not what concerns this Senator, and I do not think it is what concerns most of us on this committee.

What concerns us is the fear that after spending all this money and putting all these additional people on the welfare rolls, we might be worse off rather than better off.

We want to make this a good investment of public funds for the good of this Nation and for the good of society, and we do not want to see it spread in such a fashion that it frustrates the very purposes which we claim for it.

I take it by your statements you are enthusiastic for that same objective, and I hope very much we can work it out.

Secretary HODGSON. We are here to help you do just that.

The CHAIRMAN. Thank you.

Senator Williams.

BETTER WORK INCENTIVES NEEDED

Senator WILLIAMS. Mr. Secretary, in your statement you quote President Nixon's comments in an address last August, where you say:

Any system which makes it more profitable for a man not to work than to work is wrong and indefensible.

I assume, I am sure, we both agree with that point.

Now, it has been shown that, in the presentation by the Secretary of Health, Education, and Welfare, that, there are phases in this particular bill wherein it is more profitable not to work than it would be to work.

You would agree that that should be corrected in some manner, before any bill is considered?

Secretary HODGSON. Certainly that should be the objective, Senator.

Senator WILLIAMS. Because you feel in order to encourage a man to work or to improve his standard of earning capacity, his living standard and so forth, that he must always have some incentive where he can keep a reasonable portion of that which he earns.

Secretary HODGSON. That is one of the objectives.

Senator WILLIAMS. What would you consider to be the minimum which a man should be allowed to retain in order to have a realistic incentive program to work to improve his position?

Secretary HODGSON. I do not think I have a figure for you on that, Senator, because there are so many different kinds of what might be called earnings or income.

There is dollar income, there is income in-kind, such as food stamps, and that sort of thing. There is assistance in the way of subsidized housing, and each of these has to be approached a little differently.

The dollar amount, of course, is from the man's standpoint, psychologically and realistically the most important element to him, and there always should be a definite gain in the cash in hand received for additional effort expended.

Now that, I would not say, is something you could put your arms around and certainly say that is the case. But when you get into such things as the potential value of an insurance plan, or what the actual value, subjective or otherwise, is of food stamps, it is a little harder to grasp exactly what those things mean to the individual in the same way you can the dollar part.

Senator WILLIAMS. Of course, when you are taking it away the individual does put a value on it, and perhaps it is harder to relate. But would you agree that they must be taken into consideration so that a man, as he improves his position, does improve his living standard capacity, including all of those items?

Secretary HODGSON. They have got to be taken into consideration.

I am just saying I really do not know how you weigh them in the same way you weigh the dollar.

Senator WILLIAMS. Perhaps not, but there must be some improvement, gradual improvement, in the standard as he increases his earning capacity.

Secretary HODGSON. As he views it and as it affects him, yes.

Senator WILLIAMS. What would you say, just confining that question to cash only, what would you think would be a reasonable figure?

Secretary HODGSON. Well, when you are down at the marginal subsistence level as the population we are talking about is, an additional amount of any size is far more important to that individual than it appears to us examining this kind of question in an analytical way here.

An additional dollar to a man who is just about a dollar behind at the end of each week means a great deal even though that additional dollar only represents a very small percentage of his income.

So I am not going to try to say that there is a certain percentage or a certain dollar level. It should be sufficient to make that man feel that it is worth while. But I am not a sufficient psychological analyst to say what that specific amount should be. I think we should work toward making it adequate, but I am not sure exactly what it needs to be.

Senator WILLIAMS. I am not either. But at some point, if we report this bill we have got to agree on a specific figure, and that is the reason why I would like to have the benefit of your advice.

I agree it must be adequate, I agree it must be an incentive. But, at some point, it does get down to the amount.

Secretary HODGSON. Assistant Secretary Rosow has a comment, and then Assistant Secretary Lovell.

Mr. Rosow. Senator Williams, as you know, our objective is the same as yours, namely, to make the net incentive gain for work as high as possible in order to achieve what the chairman said in his opening remarks; to increase the number of people moving from welfare to workfare.

As Secretary Richardson pointed out, and we are all caught in the dilemma of this reform, we are in box in which we have the floor of the welfare payment under family assistance, the tax rate and the break-even point to consider, and if we change any of these in our desire to increase the incentive results, we have substantial effects on costs and coverage and on other programs. The floor level of the payment, the tax rate which was fixed at 50 percent for the Federal Government and 17 percent for the State, and the break-even point, which is now at \$3,920, that is a formula which we are caught in and of course, if we change the floor, we raise the break-even point, we raise the costs, and we increase the coverage substantially.

For example, on one computation where we looked at a floor of \$2,200 in relation to the food stamp question we were faced with an increase of 4½ million people on the welfare rolls, and a break-even point of almost \$4,500. Those seem to us unacceptable in relationship to what we are trying to achieve.

It has been estimated that a reduction of the tax rate of 10 percent, from 50 percent to 40 percent, would raise the break-even point to \$9,000. I think that is socially unacceptable to the taxpayers in this country.

Consequently what we have been faced with, as you know, is the problem of achieving a balance between a structural reform moving stepwise or engineering much more accelerated incentives at the initial step at much higher costs with much greater consequences, probably beyond our ability to afford at this point in time.

I think we have achieved a pretty good balance given the restrictions under which we operate. Moreover, in addition to the direct financial incentives in the welfare reform, there is the added incentive of child care, the added incentive of work and training. In addition to incentives, there is the requirement of registration. We have faced the people with responsibilities, so that all the able-bodied people have under this bill a responsibility which was either absent or highly ambiguous under existing legislation.

I think this combination will work well to achieve our objectives.

Senator WILLIAMS. Well. I congratulate you on the editorial comment. I have just been left with the conclusion that you have no opinion as to what it is because—

Secretary HODGSON. We have no specific percentage figure, and we might as well admit it.

Senator WILLIAMS. That would save a lot of time. [Laughter.]

Secretary HODGSON. Yes.

Senator WILLIAMS. It does get down to the dollar point. I am not trying to argue, because if we are going to have an incentive program, the administration and this committee have got to decide what is a realistic incentive, in order to encourage this man to work. At some point we have to get down to dollars, and that is what I was hoping we could reach.

Secretary Hodgson. We would like to lay a little groundwork for you in helping you to reach it, Senator.

It seems to me, following on Assistant Secretary Rosow's suggestion, that the objective here is an objective of structural reform of a very deficient welfare program. You take three things and you try to get a balance of these three things.

Now, incentive is one of those three. The other two are cost and equity. In cost you have to take a look at the increase over present costs, what the future cost trends are going to be, and what you are getting for your money. The incentive features encourage people to work, to become more self-supporting, and to keep families together.

With regard to equity, we have got to balance the relationship between individuals on and off welfare, the relation of payment to need, the relations between States with supplements and those without, the working poor to the nonworking poor. These are three kinds of considerations.

One of them is incentive and, as Mr. Rosow was attempting to convey, we have to meld that particular concern in with these others in order to get a balanced position.

We think we have got one, and we think the incentive arrangement that is manifest under the plan we have been talking about is a very considerable one.

I would like to have Mr. Rosow go further at this time into exactly how incentives work when you move from a nonworking situation to a working situation.

Mr. Rosow. Thank you, Mr. Secretary.

Senator Williams, with your permission and the permission of the chairman, we would like to submit for the record a table which Mr. Barton can distribute to the members of the committee, which deals with some of the tables which have been discussed at length with Secretary Richardson during his testimony last week and the preceding week.

Recognizing what the Secretary said in his remarks earlier, that we tend to place primary reliance on cash, we believe that in the welfare reform if we are going to get people to go to work and stay there, we ought to look realistically on how much money they can make and how much money they can keep as against what they get for not working.

As shown in the handout, we took charts 9 through 12, with the four cities which have been at the heart of the discussion in this committee, Phoenix, Wilmington, Chicago, and New York.

BENEFITS POTENTIALLY AVAILABLE TO A 4-PERSON FEMALE HEADED FAMILY

Chart number and city	Total gross money income at 0 earnings	\$4,000 earnings ¹ after taxes	Money income gain	
			Amount	Percent
9. Phoenix.....	\$2,208	\$4,461	\$2,153	102
10. Wilmington.....	1,788	4,415	2,627	147
11. Chicago.....	3,158	4,751	1,595	51
12. New York.....	3,758	5,350	1,594	42

¹ Equal \$2 per hour, slightly below average WIN earnings.

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON, FEMALE-HEADED FAMILIES IN PHOENIX, ARIZ.—H.R. 16311—AMENDED

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, ³ and social security taxes	Current ⁴ schedule food stamp bonus	Total average ⁵ medicaid payment to AFDC family	Total net money and in-kind	Housing bonus to ⁶ family under proposed 1970 housing act ⁷	Total net money and in-kind
\$0	\$1,600	968	\$2,208		\$890	(**)	\$2,898	\$1,118	\$4,016
\$720	1,600	608	2,828	\$37	480	(**)	3,371	974	4,345
\$1,000	1,460	613	3,073	52	408	(**)	3,429	945	4,374
\$2,000	960	653	3,613	104	360	(**)	3,869	837	4,706
\$3,000	460	684	4,154	156	312	(**)	4,310	711	5,021
\$4,000		707	4,707	246	288	(**)	4,749	573	5,322
\$5,000		313	5,313	457	288	(**)	5,144	422	5,566
\$6,000			6,000	689		(**)	5,311	250	5,561
\$7,999			7,000	944		(**)	6,056		6,056

¹Assumes 2-bedroom unit. Includes public housing which will be available to only 6 percent of family assistance families nationwide.

²No medicaid program. See footnotes on p. 1198.

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON, FEMALE-HEADED FAMILIES IN WILMINGTON, DEL.—H.R. 16311—AMENDED

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, ³ and social security taxes	Current ⁴ schedule food stamp bonus	Total average ⁵ medicaid payment to AFDC family	Total net money and in-kind	Housing bonus to ⁶ family under proposed 1970 housing act ⁷	Total net money and in-kind
\$0	\$1,600	\$188	\$1,788		\$828	\$437	\$3,053	\$722	\$3,775
\$720	1,600	188	2,508	\$37	624	437	3,532	578	4,110
\$1,000	1,460	328	2,788	52	552	437	3,725	522	4,247
\$2,000	960	828	3,788	104	360	437	4,481	322	4,803
\$3,000	460	852	4,312	156	312	437	4,905	192	5,097
\$4,000		664	4,664	249	288	437	5,140	104	5,244
\$5,000		93	5,093	460	288	437	5,358		5,358
\$6,000			6,000	699		437	5,301		5,301

¹Assumes 2-bedroom unit (includes public housing which will be available to only 6 percent of family assistance families nationwide).

See footnotes on p. 1198.

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILIES IN CHICAGO, ILL.—H.R. 16311 AMENDED

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, ³ and social security taxes	Current ⁴ schedule food stamp bonus	Total average ⁵ medicaid payment to AFDC family	Total net money and in-kind	Housing bonus to ⁶ family under proposed 1970 housing act ⁷	Total net money and in-kind
\$0.....	\$1,600	\$1,856	\$3,156	-----	\$408	\$790	\$4,354	\$1,340	\$5,703
\$720.....	1,600	1,856	3,876	537	312	790	4,941	1,210	6,142
\$1,080.....	1,480	1,520	3,868	52	312	790	5,019	1,178	6,197
\$2,000.....	960	1,342	4,302	104	312	790	5,300	1,085	6,385
\$3,000.....	460	1,175	4,635	156	288	790	5,557	1,011	6,568
\$4,000.....	-----	987	4,935	236	288	790	5,829	923	6,752
\$5,000.....	-----	416	5,416	443	288	790	6,051	816	6,867
\$6,000.....	-----	-----	6,000	669	-----	-----	5,331	670	6,001
\$7,000.....	-----	-----	7,000	912	-----	-----	6,088	420	6,508
\$8,000.....	-----	-----	8,000	1,134	-----	-----	6,868	170	7,038
\$9,000.....	-----	-----	9,000	1,369	-----	-----	7,631	-----	7,631

¹Assumes 2-bedroom units (includes public housing which will be available to only 6 percent of family assistance families nationwide).

See footnotes on p. 1198.

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILIES IN NEW YORK CITY, N.Y.—H.R. 16311 AMENDED

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, ³ and social security taxes	Current ⁴ schedule food stamp bonus	Total average ⁵ medicaid payment to AFDC family	Total net money and in-kind	Housing bonus to ⁶ family under proposed 1970 housing act ⁷	Total net money and in-kind
\$0.....	\$1,600	\$2,156	\$3,756	-----	\$312	\$1,153	\$5,221	\$980	\$6,219
\$720.....	1,600	2,156	4,476	537	288	1,153	5,880	811	6,690
\$1,080.....	1,480	2,108	4,568	52	288	1,153	5,958	788	6,741
\$2,000.....	960	1,942	4,902	104	288	1,153	6,239	705	6,946
\$3,000.....	460	1,775	5,235	156	288	1,153	6,520	621	7,144
\$4,000.....	-----	1,587	5,587	237	288	1,153	6,791	533	7,321
\$5,000.....	-----	1,016	6,016	460	288	1,153	6,997	426	7,424
\$6,000.....	-----	459	6,459	703	288	1,153	7,197	315	7,513
\$7,000.....	-----	-----	7,000	971	-----	-----	6,029	180	6,202
\$8,000.....	-----	-----	8,000	1,219	-----	-----	6,781	-----	6,781

¹Assumes 2-bedroom unit (includes public housing which will be available to only 6 percent of family assistance families nationwide).

See footnotes on p. 1198.

Senator WILLIAMS. Mr. Chairman, my time has expired, and I have other questions when it comes back to me, and I will pursue it.

I will say that I am still left with a puzzle as to just what your position would be.

Mr. Rosow. With the chairman's permission, if I could explain this chart, Senator Williams, I think it would indicate how we focus on the money question of incentive. What we have done—

Senator WILLIAMS. You can explain it and then I am going to relate it to the other charts. I will look at it and we may discuss it further. I would appreciate it.

Mr. Rosow. Yes, sir.

What we have done simply is to make a comparison between a person on welfare at zero earnings, as shown in the third column in the four cities, which is really a combination of the family assistance payment and the State supplement; namely, \$2,208 in Phoenix, or \$3,756 in New York, and a person earning \$4,000 a year after the collection of Federal, State, and social security taxes; that is, a net cash after taxes. We selected \$4,000 because that is a little less than \$2 an hour and, in fact, WIN graduates are working at an average wage of \$2.27 an hour, which would produce a rate over 52 weeks of about \$4,700 a year. So—the amounts are at \$1,000 increments—we took \$4,000, and that gives an after-tax earnings, combined with welfare payments as shown in the fourth column, of \$4,461 in Phoenix.

If we followed the Phoenix example through, we go from \$2,208 for not working to \$4,461 for working for \$4,000 a year, a money income gain of \$2,153 or 102 percent.

I believe that that is a substantial incentive to work, a greater incentive than most people would require to make the move from welfare.

Now, in New York where the State supplement is very high, and where it is generally considered by experts in the field that incentives have been destroyed by virtue of the high payments, we still find that a cash shift here from \$3,756 to \$5,350, in a combination of \$4,000 in earnings and payments, for a net money gain of \$1,594 or 42 percent.

I recognize, Senator, we have not addressed ourselves to in-kind payments. This is not to ignore the analysis, the penetrating and searching analysis that you have made of some of the anomalies that exist between a mixture of cash and in-kind payments and how it can have a very damping, seriously damping, effect on the incentive net in the final column.

But, as the Secretary said in his remarks, we have some qualifications and doubts about mixing money and in-kind payments to arrive at a judgment.

Senator WILLIAMS. My time has expired, but I will want to discuss this further.

You will agree with Secretary Richardson that food stamps, the benefit of cash value of food stamps of surplus food, should be counted as money or as cash in-kind.

Mr. Rosow. Yes, Senator Williams. We did this table hastily this morning and we propose to amend it, with the committee's permission and the chairman's permission, to bring in food stamps.

Senator WILLIAMS. Rather than amend it, bring it in next Thursday, because it makes a big difference.

Mr. Rosow. Thank you.

Senator WILLIAMS. For example, it still leaves these notches, and also move up beyond the \$4,000—not everybody earns \$4,000—and try it with the other figures, and I think you will find that—and that is what bothers some of us—that it still, for example, in New York, just using your same table, the \$6,000 man would have \$6,459, plus \$288 in food stamps, and it would be \$6,747, and he pay \$703 taxes, which leaves him \$6,044.

A \$7,000 man would get \$7,000, and he pays \$971 in taxes, which leaves him \$6,029.

Mr. Rosow. We will be glad to submit the tables revised, including the effect of food stamps.

Senator WILLIAMS. In other words, the \$7,000 man has less cash than does the other man. Those are the problems.

You can move into charts and, as you know, pick certain points and prove anything that you wish. But I take them all as a whole. That is the reason I did not want to let this go. All of these notches should be removed and, particularly, the ones that you picked out. A series of examples on those charts do present the picture as you explained it. You could pick out others which would present the picture entirely different.

We have to consider all of them together, that is the point I am making to you.

Secretary HODGSON. As long as you consider them all together, Senator, but do not consider the worst possible one.

Senator WILLIAMS. That is right. I do not think it is fair to consider the worst one, and I do not think your picking out three or four that are the very best ones likewise present the picture. Either one of us can prove either point, either of our positions, by taking certain figures, and I would be the first to admit that.

But in arriving at a decision on this bill we have to consider the points that you have raised, the good points as well as the bad, and see if we can correct them.

My suggestion to the Secretary, Secretary Richardson, was that you cannot correct these inequitable points unless we recognize them, and if we are going to close our eyes to them all the time and talk about only the good, we will never correct them.

I apologize for using too much of my time.

The CHAIRMAN. Senator Curtis.

Senator WILLIAMS. But I do thank you for reviving an interest in those charts, and we will continue it further.

EFFECT OF INCREASED ROLLS ON TRAINING PROGRAMS

Senator CURTIS. Mr. Secretary, the responsibility of your Department if this legislation is enacted, is primarily on the training and finding these people jobs; is that right?

Secretary HODGSON. It is in the job area; that is right; registering them, training them, and developing employability talents for them, getting them into the world of work.

Senator CURTIS. Do you feel that with the experience that you have had in the WIN program, plus the additional provisions of law provided in this bill, that you can do a creditable job?

Secretary HODGSON. I would think it would have been an enormous task for a Secretary of Labor before the early 1960's to consider something like this before there had been any significant manpower activity, before we had the succession of legislative enactments starting with the Manpower Development and Training Act, and the subsequent acts that really got us into this training and employability business, developing a broad scale manpower program, relating our activities to all of the various different State employment offices throughout the Nation, building a programmatic ability, and a concept of how to improve the state of the labor market in this Nation. It would have been a tremendous job then.

I think we are very fortunate to have had that general background behind us, and we are also fortunate that we have had a brief period, although admittedly it had been brief and it is inconclusive but hopeful at the moment, with the WIN program. The program has shown that this kind of activity can be successful, and by kind of activity I mean the movement of people from welfare to regular jobs.

Senator CURTIS. Now, what I want to know, and I take it your answer is yes—

Secretary HODGSON. You take it properly.

Senator CURTIS (continuing). Would this program, if you can make it a success with 24 million on welfare, why couldn't you make a success of those responsibilities falling on the Department of Labor if there are only 10 million persons on the public welfare?

Secretary HODGSON. First of all, I think, as you know, we do not accept the fact that there will be 24 million people on welfare. But that is not the thrust of your question.

Senator CURTIS. I do not want to enter into a discussion on the merits of adding people.

Secretary HODGSON. Right.

Senator CURTIS. I want to know, you have contended that you could do this job. Now, is there any reason why you can not do just as good a job dealing with 10 million people as with 24 million?

Secretary HODGSON. We could if we had the same tools.

Senator CURTIS. Yes. In other words, if the Congress, regardless of what they do about adding all of these millions, if we would give attention to those provisions of this proposal dealing with training and registration and work, you say you can do the job?

Secretary HODGSON. That is the purpose of those respective tools that we have built into this act; to enable us to do the job. We have built them in based on the learning experience we have generally with our manpower program and, specifically, with regard to WIN.

For instance, the child care component we have built in is one that we have had to come to regard as a major deterrent to moving people from welfare rolls to payrolls because so many people, so many women particularly, are in need of child care. That is just one example of the kind of tool that we need.

Senator CURTIS. Well, the point I am trying to make is this: It does not make sense at all to increase the rolls of people receiving public assistance in order to initiate a back-to-work program.

Now, this bill, as passed by the House, would increase the number of recipients of welfare in the State of Nebraska by 285 percent, and my point is that you do not have to increase the number of recipients by any appreciable number, let alone 285 percent, in order to face up to the job of assisting people who are now on welfare, to get a job.

Secretary HODGSON. Well, if you are speaking, for example, of not including the working poor we would think that that would be a step backward because——

Senator CURTIS. I am not asking you what you think about it. I am asking you insofar as executing your training program.

Secretary HODGSON. Your question is simply the question of numbers.

Senator CURTIS. I do not want to get into an argument with you as to whether or not we should include people who are working for their living now. I am accepting the fact that you are supporting that position.

What I want to know from you, is it necessary in order for you to make a success of registering, training, securing jobs, providing day care centers and other things for the individuals on welfare in Nebraska now, is it necessary to increase the rolls by 285 percent?

Secretary HODGSON. It is the tools, not the numbers that are important. Give us the tools that we ask for in this bill——

Senator CURTIS. And by the tools——

Secretary HODGSON. Yes.

Senator CURTIS (continuing). You are referring to those sections of the proposal dealing with these things of registration, day care, paying the full bill for day care?

Secretary HODGSON. All the various incentives that go with it.

Senator CURTIS. The training and all that?

Secretary HODGSON. All the various incentives and disincentives have to be added to that.

Senator CURTIS. Then the answer is if you get that legislation relating to employment, day care, and so on, you could do the job in the State of Nebraska without a bill that increased the number of recipients by 285 percent? I am not asking you whether it is wise to increase it, or not, or whether you recommend it being increased or not.

Secretary HODGSON. As I see it, your question is quite simple: Do numbers, the additional numbers of people make a difference in success or failure?

Senator CURTIS. Yes.

Secretary HODGSON. And what I am saying is additional numbers, as such, do not. If you give us the ingredients of the bill, all the tools, all the incentives and removal of disincentives that exist in the bill, then we can do the job.

Senator CURTIS. Yes. Well, I think we are in accord on that. I appreciate your answer. I think it is forthright. I think it is correct and, as a matter of fact, it probably would be easier to apply a program to a smaller number than a larger number, but I will not press that as a direct question.

I think that the Congress would make a terrible mistake by increasing the number of public welfare recipients from some 10 million to in the neighborhood of 24 million. How many of them will go on

receiving some sort of cash benefits and never get off again nobody knows.

In doing that it is proposed to have 215,000 additional training slots.
Secretary HODGSON. 225,000.

Senator CURTIS. Yes. According to my mathematics that is less than 2 percent of the additional recipients that this bill would put on. That is how far we would fall behind. We would put on somewhere between 13 and 14 million who are not on now; we would provide training for 2 percent, and I cannot understand why, in order to reform a welfare program, you have got to increase the problem before you start to solve it.

Secretary HODGSON. I believe that there are three elements to your observations there that I should comment on. The first is, of course, that we do not believe that the increase that you hypothesized will occur.

Senator CURTIS. Well, those are HEW's figures.

Secretary HODGSON. Yes. It is the maximum possible. It is not the actual number. It is the maximum possible, the potential. They have used that as a potential, not as actual. If we took the present program, and we took the potential coverage of the present program, it would be much bigger than the actual coverage. So you cited a potential figure that is not probably going to be realized in any significant way.

Senator CURTIS. I think that is probably true because the people are not asking for any such thing.

Secretary HODGSON. A lot of them won't, so that is the first aspect of it.

The second is that there are structural reforms involved in this bill that go beyond the suggestion that you have made here as being all that is needed.

Finally, there are two elements that would indicate that we ought to limit the number of additional slots that we request for training, at the outset of this program. One is that whenever we start a program of any great magnitude in the manpower training field, you have built up problems. You do not start running, you have got to start to walk before you run, and you had better ask for the amount of money and the number of slots that you can administer effectively, so you start at a slow pace, and then you build that up.

I would not want to leave this committee with the impression that this would represent the maximum accommodation that we could make through the years. This is a start, and a start only, so that is the first element.

The second one is that a lot of these people are going to, with the assistance of the employment service, find employment without the necessity of training. So do not feel that the movement from welfare to employment is going to require training in every case. We would think not.

Senator CURTIS. No, Mr. Secretary, please do not misunderstand. I directed no criticism at your figure of 250,000. My criticism is against the idea of adding 13 or 14 million—

Secretary HODGSON. I understand.

Senator CURTIS (continuing). People on the rolls.

You have just proven my point that you can do a better job with a smaller number. That was the essence of your reply. I agree with you

wholeheartedly. We can make a better job of reforming welfare by not adding such tremendous amounts to the potential.

That is all, Mr. Chairman.

Mr. Rosow. Mr. Chairman, Senator Curtis, can I make a comment with regard to your figure?

Senator CURTIS. Yes.

Mr. Rosow. I believe you are referring to the total welfare or family assistance population, and it might be more accurate if you made two amendments to that.

One is there are 3.7 million adults who would be in the program, and if we took all adults in the program without breaking up those who are able bodied, and so forth, I think really it would be more appropriate to take the 2.5 million adults who would be required to register under the law and compare our training capability to that 2.5 million.

Senator CURTIS. Which would make it about 10 percent.

Mr. Rosow. Yes, sir.

Senator CURTIS. All right. I think that is fair. I think that is eminently fair. But the point is—

Mr. Rosow. The increment of the 225 would be 10.

Senator CURTIS. Yes.

Mr. Rosow. But we have a base program that is now training about an equivalent number of public assistance recipients, so it might be 20 percent in our first year.

Senator CURTIS. I understand. No, no, I understand. I did not compare it to your total number of recipients. I compared it to the total number that would be added.

Mr. Rosow. Yes, sir.

Under the new bill, we would have 2.5 million registered, and I think the real genuine question here, the hard question, is how many of those people could be reached with training programs, recognizing, as the Secretary stated, that some would be referred directly to work. Well, out of the 2.5 million we could probably reach about 400,000 in the first year.

Senator CURTIS. But the point is, and these figures are so big I cannot comprehend them for the Nation, the point is figured up any way you want to, you have got a lot bigger job in the State of Nebraska if we increased the rolls by 285 percent than if we do not. If you are going to train the people who are receiving welfare, and if we take instead of the 2 percent, 10 percent or heads of families, we still have quite a spread between what we have increased and the most optimistic figure we can get on the training.

That is all, Mr. Chairman.

The CHAIRMAN. Senator Talmadge.

DEFICITS IN PRESENT JOB TRAINING

Senator TALMADGE. Mr. Secretary, how many Federal agencies are now engaged in job training?

Secretary HODGSON. Federal agencies? I know we are the massive one. There are others that do some. Most every agency that operates activities such as the Department of Defense, Department of Trans-

portation, that have operational components, do some of their own. The Veterans' Administration does some training of their own.

But training that is performed by the Department of Labor is the principal training thrust of the Federal Government.

Senator TALMADGE. Would 19 be a reasonably accurate estimate?

Secretary HODGSON. My able lieutenant has just said 19 agencies with 13 programs.

Senator TALMADGE. Well, our staff worked with the Library of Congress and everyone else we could find for months and months trying to find out where this mystic maze led, and we reached the conclusion that it was 19 agencies and 39 programs.

My point was that I was very much interested in your comments about the training program in California a moment ago. The jobs are going to lie in the private sector; are they not?

Secretary HODGSON. Four out of five jobs today are in the private sector.

Senator TALMADGE. Why do we carry on these expensive job training programs, some of them in these youth camps, if I understand it correctly, which run as high as \$12,000 a year, and train people for non-existent jobs in institutional training?

Secretary HODGSON. The great thrust of our training effort, with very limited exceptions for a public service career, is for training for private sector employment.

The principal program in which we are involved there in training is the one that is run in conjunction with the National Alliance of Business Men.

Senator TALMADGE. Why shouldn't we be realistic in trying to work out a partnership between the Government and private business, because that is where the jobs are?

Secretary HODGSON. We feel we are doing that now, and it is a very effective partnership. It is one of our best programs.

Senator TALMADGE. It can be improved.

The President, when he was campaigning 2 years ago, talked about this as a way of a job effort. What I think we have got to do, Mr. Secretary, is when you get a person with limited education, few skills, few work habits, you have got to get him in a particular plant, teach him to work on a particular piece of machinery or a particular lathe, doing a specific job; isn't that true?

Secretary HODGSON. That is what I have been doing the last 30 years of my life, Senator. I agree with you.

Senator TALMADGE. I am glad to hear you say that because I have offered an amendment to this bill designed to do exactly that. I do not think you can pick up a fellow and send him out to Denver, Colo., in a youth camp, train him for a nonexistent job, and when he gets home there is no job available.

Secretary HODGSON. Well, this is where I would have to give you a figure that you should now, Senator, that about 75 to 90 percent of the trainees who completed the program have actually gotten into jobs. The training has been conducted, on-the-job, in institutions, in training centers, or industrialization centers.

In some cases, industries themselves like to bring fully trained people on to the job rather than do it on the job, and it would be, I think,

most unwise for us to try to straitjacket the full range of training efforts into just one or two kinds that would be appropriate.

I do agree with you thoroughly that the training should be directed toward meaningful jobs, jobs that exist. You do not train people for some hypothetical job. You do some advance manpower planning, you look and see where the growth sectors of the economy are, emphasize trends with regard to craft levels and where skill levels are, and you direct training in those efforts.

Senator TALMADGE. In other words, when he gets through training he is already on the job and becomes a taxpayer that day; is that your idea?

Secretary HODGSON. A taxpayer rather than a tax eater.

Senator TALMADGE. I agree with that wholeheartedly.

RELATING TRAINING TO AVAILABLE JOBS

Mr. Secretary, the amendment I offered to improve the work incentive program would require you to establish local labor market advisory councils to identify present and prospective job opportunities in the area so that training under the work incentive program can realistically be related to the jobs available.

I judge from the comments that you have just made that you share that view. But I notice that the bill before us has no similar requirement. Do you have any objection to such a provision?

Secretary HODGSON. I share the view that the job should be done; that is, the job of determining where the best place to provide training emphasis should be. I am not prepared to say that the best way to do that is with one device or another, such as you have suggested. I would want to examine how these kinds of councils that you suggest work.

The labor market is a very complicated thing. For some jobs, for instance, the labor market is national, for technical and engineering and some higher level jobs.

For some it is regional, for some it is local, for some it is just a commuting community, so that kind of device that is needed to decide what the total market needs for skills and talents might be, that kind of device would have to be worked out pretty carefully.

AUERBACH CORP. RECOMMENDATIONS

Senator TALMADGE. On pages A-9 and A-10 of their report on the work incentive program, the Auerbach Corp. cites several examples of conflicting Labor and HEW regulations on the work incentive program. They recommend that joint regulations be issued. Present law authorizes the Secretary of Labor to issue regulations, but requires him to consult with the Secretary of HEW.

The amendment that I have offered would require the issuance of joint regulations. The bill, however, goes in the other direction by striking out the requirement that there be any coordination with the Department of HEW.

Why do you feel we should move in the opposite area, the opposite direction of coordination?

Secretary HODGSON. Well, first, let me say that the WIN program in the early phases certainly did have some administrative problems.

The ones between the Department of Labor and HEW were only part of them. We believe that through attention the great bulk of those have been corrected.

But, quickly, to answer your question, we would say we certainly agree with the objective that you are talking about, and we would offer to review the family assistance plan language to see if further improvements can be made along this line.

Although, right now, we are engaged in many joint planning activities, there is no reason why such a requirement could not be written into law.

Senator TALMADGE. In that same connection, Mr. Secretary, the same study stated that one problem in evidence throughout the evaluation period was the lack of labor market information specific enough for local WIN operations to use as a guide for program planning decisions or job development functions.

The bill before us does nothing to correct this shortcoming.

Would you support the provision of my amendment which would require the establishment of local labor market advisory councils to insure that training is related to real job opportunities?

Secretary HODGSON. I support the idea of relating training to job opportunity, and whether the councils are the best device or not, I would have to examine that.

Senator TALMADGE. How much did the Department pay for the Auerbach Corp., for the study they did on the work incentive program?

Secretary HODGSON. \$180,000 is the figure we have.

Senator TALMADGE. Why has the Department disregarded so many of their recommendations in preparing the work training sections in this bill?

Secretary HODGSON. Well, we do not think we have. For instance, one of the things that may not be in this bill but is going to contribute mightily to the solution of the problems that are revealed by that report, is the new job bank program that we are pushing very avidly.

We have got 46 of those in existence now. By the end of this year we will have 55, and by the time that this bill goes into effect, we will have pretty well blanketed the country with these job banks.

The utility of these banks in determining the existence of openings and the availability of certain kinds of work for planners to use in determining what kind of job training programs are set up is going to be a real boon to us.

REMOVING PEOPLE FROM THE WELFARE ROLLS

Senator TALMADGE. When Secretary Finch appeared before this committee I asked him, and I quote:

How do you expect these work incentive features of your proposal will remove people from the welfare rolls, if ever?

Secretary Finch's response was, and I quote:

We don't.

Mr. Secretary, what will the bill before us do to remove persons from the welfare rolls, and do you think we can change the bill so that it could remove people from the welfare rolls?

Secretary HODGSON. I think that that is the objective of this bill, and an objective that will be achieved in many ways.

For instance, just the registration requirement alone, registering with the U.S. Employment Service, places people in what might be called the employment mill. It gets them acquainted with the Employment Service. It provides them with how to do it counsel, that is, how to get the jobs. It exposes them to help from these employability teams we are setting up. It places them in a position for ready employer recruitment, a place where employers can come knowing that there exists a reservoir of employable people.

Job banks, as I say, are going to speed this procedure, and the entire process constitutes both an opportunity for and a pressure to enter the world of work.

But, in addition, the training requirements and opportunities under the act simply have to contribute to our ability to get them off of welfare and into the world of work.

Clearly one thing experience shows, both in private industry and in the public sector, that training and related services just enhance employment chances particularly for a marginal number of the work force. We can build on what we already know if we utilize the broader and more flexible range of tools that FAP will give us.

Finally, I would have to say in removing the disincentives that now exist from work that FAP will contribute to a motivation to get off of welfare and into the world of work.

So it seems to us that a combination of these three things, the removal of the disincentives, getting people into the employment mill, and the provision for training and services, these things will make massive changes in both the perspective and the motivation of our bottom rung people in the country. Responsibility and efforts will be rewarded, and evasion and slothfulness will be penalized.

DETERMINING EMPLOYABILITY

Senator TALMADGE. In your report you stated that a difference in interpretation of the law between the welfare and employment agencies during the start up period sometimes hindered the development of the smooth and efficient enrollment process. What was this difference in interpretation?

Now, under the provisions of my amendment for the joint promulgation of regulations by the Department of Labor and the Department of Health, Education, and Welfare, we would help to avoid such a situation.

Secretary HODGSON. I would like to ask Assistant Secretary Lovell of the Manpower Administration to respond to that.

Mr. LOVELL. First of all, Senator, under the current WIN legislation the decision as to whether an individual is employable or not is to be made by the State welfare agencies, under guidelines developed by HEW and followed in different fashion from State to State.

Utah referred 95 percent; New York, 6 percent. So there was tremendous variation in the interpretation of those guidelines.

Under the family assistance plan the registration criteria are Federal, and there are very clear-cut eligibility requirements. Income is one requirement. Age is another; anybody who is under 16, will not

be eligible. If they were physically unfit or aged they would not be required to register, and so on. But they are very clear, and they are Federal requirements, so we feel that these clear-cut Federal requirements in terms of eligibility will go a long way to resolve the problem we had under WIN.

Senator TALMADGE. Mr. Chairman, my time has expired, and I hope I will have an opportunity to pursue some of these questions.

The CHAIRMAN. Senator Miller.

Senator MILLER. Thank you, Mr. Chairman.

DETERMINING "ADEQUATE" OPPORTUNITY TO OBTAIN JOB

Mr. Secretary, I saw the redraft of the work requirement section of the bill which you quoted on page 12 of your statement.

There is one thing I would like to ask you to elaborate on a little bit. In that language you have the clause "and the individual has not been given adequate opportunity to obtain it."

Of course, the word "adequate" is the kind of a word around which considerable controversy can wage, and I would like to know what type of interpretation you would have in administering this with respect to the word adequate.

Secretary HODGSON. One of the things that certainly would have to be considered is the question of the time element, Senator. If an individual maintained he could in 48 hours go out and get a job different from the one you offered him, and give you good evidence that he could do it, then you have to consider the adequacy of the time element.

The word "adequate," the term "adequate," is very carefully placed there in order to make sure we have achieved what we call a strong work test, and that is the way we are going to pursue this revised provision that you have before you. It is an endeavor to make it a strong work test, to firm it up rather than to have anything that might be interpreted as a loophole.

Senator MILLER. In other words, your interpretation would be a strict interpretation as distinguished from a very liberal interpretation of this?

Secretary HODGSON. Exactly.

Senator MILLER. Suppose that a job is available but it requires or it would at least require the individual concerned to join a union because there is a union shop agreement with the plant concerned, and the individual does not want to join a union and declines to do so?

Secretary HODGSON. There is no provision—

Senator MILLER. Would you say he has been given an adequate opportunity under those conditions?

Secretary HODGSON. This is not dealt with in the bill. He would have to work under those circumstances.

Senator MILLER. In other words, he has to take the job under the conditions that exist with respect to other workers, and he cannot undertake to set himself up in a separate category and decline?

Secretary HODGSON. That is right. If the represented employees in the plant in which he wants to go to work have, through their union, agreed to a union shop provision, then he will be bound by that the same as anybody else.

Senator MILLER. Well, I am not suggesting that he necessarily wants to go to work there, but the job is available.

Secretary HODGSON. We sent him there. You are right, he is obligated to follow the conditions and provisions in that plant, and if those provisions and conditions include provisions for joining a union, then that is a requirement, it is incumbent upon him.

ADEQUATE INCENTIVES NEEDED

Senator MILLER. Thank you. Now, on the same track Senator Williams was on, and referring to this chart you provided us with respect to Phoenix, Ariz., the figure \$2,153 is the amount of money income gain if a person goes from zero to \$4,000.

What would be the figure instead of \$2,153 for the person who goes from zero to \$3,000?

Mr. Rosow. It will take us 1 minute, with your permission, Senator Miller, to find that table.

Secretary HODGSON. One of the reasons, Senator, that we used the \$4,000 is that is at about or slightly less than the rate at which we have been placing most of our WIN placements.

Senator MILLER. I understood that.

Mr. Rosow. That figure would be \$1,790, Senator Miller, the difference between \$3,998 and \$2,208, \$3,998 being the amount after tax.

Senator MILLER. So that in the case of the person in Phoenix who goes from \$3,000 to \$4,000, his net cash improvement would be \$263.

Secretary HODGSON. Yes.

Mr. Rosow. Yes.

Could I respond to this question which keeps coming up, Senator Miller, which Senator Williams also raised, about the way the tables are constructed which tend to show people moving, in \$1,000 increments, from a \$3,000 job to a \$4,000 job or a \$5,000 to a \$6,000 job.

The premise of this table which, I think, is very realistic, is that the objective of the welfare reform, the objective of the Secretary of Labor, is to take the people from zero income, people who are completely dependent, to move them into a job, and I think that is the first most valid comparison we tend to concern ourselves with.

It is true once they are on the job they may have some opportunity for advancement, and we want to retain the incentive. But I think the critical point that we face is getting them from a nonwork posture into work and, therefore, the reason we selected \$4,000—or you could use \$3,000—was in comparison to the zero income situation where they are contributing nothing, and they are 100 percent on welfare, how much will they get if they go to work.

We know in most cases the way we have been placing these people, they do not go to work for \$1,000 or do not go to work for \$720. We get them a job at around \$2.20 per hour, so it is that comparison, it seems to us, which is the critical comparison. That is the point at which they leave the welfare rolls. Once getting that sort of an income, then they are faced with the type of problem of what happens for every increment in income in moving up the scale of wages.

Senator MILLER. I recognize the critical importance of that. But I also think we had better face the fact that an inseparable ingredient

to this plan is to aid the working poor. That is the theme of this whole program, and if that is the theme, and that is an inseparable ingredient, I do not think we can overlook the deviations in increment for the working poor, and that is what I am focusing on and what Senator Williams was focusing on.

Mr. Rosow. For the working poor, Senator Miller, as you know, there is no supplement mandated or required in the proposed Family Assistance Act. Therefore, in the case of every working poor person they will always have a 50 percent incentive to increase their income. They will keep 50 cents on every dollar because the only tax applied or the only reduction of welfare payment will be in the family assistance benefits.

Senator MILLER. I do not see this 50 percent. I just asked you to give me the figure of \$3,000, and I am looking at the cold hard cash.

Mr. Rosow. Right.

Senator MILLER. And the figure in that next to the last column for Phoenix, Ariz., would be \$1,790 for the \$3,000 man, and it would be \$2,153 for the \$4,000 man, and that is a \$263 net take out of the additional \$1,000 earnings, as I read the tables.

Mr. Rosow. Yes. But the caption on the table is "4-Person Female-headed Family," not the working poor. We have not submitted a table for the working poor because it is really very straightforward. We would have to give you a separate table. It would merely show if we looked in both columns, for Phoenix, Ariz., the FAP benefit would be reduced as shown here in the second column. There would be no State supplement. We have got some other tables we could submit that show it. But since there is no State supplement, there is no 17-percent State tax imposed and, therefore—

The CHAIRMAN. If I might just interject here, though, it seems to me that if you are not including the food stamps in here then you are not giving us a meaningful chart, at all.

Are you aware of the fact in a lot of States these people have just been selling those food stamps for cash?

Mr. Rosow. No, Mr. Chairman, I am not aware of that.

The CHAIRMAN. I had to alert President Johnson on that. I thought President Nixon would know it when he came in. It is happening right in my own State where they are selling them.

Mr. Rosow. Maybe President Johnson did not tell President Nixon.

The CHAIRMAN. Mr. Nixon named one of these forests Ladybird Forest, and I know they had a chance to talk about matters that day, and I would hope that President Nixon would know about that.

But in many instances they have been selling those food stamps for cash.

Secretary HODGSON. Mr. Chairman, you are right. We made the chart up this morning, and we will bring you the next time we are together, one that includes the food stamps. We did this for our own purposes, but in discussing the circumstances here this morning we thought we would use it to illustrate some of our contentions.

We really had not intended to introduce it. We will introduce a better one later.

The CHAIRMAN. If you did not have the food stamps on there you would not be presenting the picture at all. It is conceivable instead of having a 100-percent gain the man might not have any gain at all, though I am sure he would have some. You might cut 102 percent down to 50 percent benefit.

Secretary HODGSON. He would have some. But it is a fascinating thing, Senator, the average person does not consider income in kind in exactly the same way he considers income in dollars.

The CHAIRMAN. He can sell the food stamps for dollars, and that is dollars.

Secretary HODGSON. Yes, I know. But it is a discretionary thing in one case, and in the other case it is not unless he makes some sort of side deal.

Now, I am not ever minimizing the ingeniousness of the American public. They can find ways of doing what you are talking about. But the important thing is that the psychological and realistic aspect of the dollar difference is greater from an incentive standpoint than things in kind like medicaid and food stamps and that kind of thing.

Mr. Rosow. May I, Mr. Chairman, answer that question just with regard to Phoenix, since we were using that example? I have just calculated the effect of food stamps on the first line on this chart, and by adding the food stamps back in, which have a value of \$646, if the person is not working, you would get the welfare income up to \$2,854 instead of \$2,208, as we show.

The earnings after tax would be \$4,461, and when I subtract those numbers, I come up with \$1,607 as the incentive for going to work at a \$4,000 salary; still substantial.

Senator MILLER. I was trying to be responsive to the table you have provided us. I have the same reservations about it as Senator Long and Senator Williams. But what I was trying to bring out was that in the case of a four-person, female-headed family in Phoenix, Ariz., earning \$3,000, if she increased her earnings to \$4,000, the net difference would be \$263. That is just with respect to your table alone. And, I think, as you know, some of us have been concerned over the overall picture of taking into account the money and the in-kind income, and we find a difference then of, perhaps, \$75 by going up \$1,000, and this causes a great amount of concern, and it is something that I think we can take into consideration with your suggestion that the cash money is psychologically more important than the cash and in-kind combination.

But I assure you from the standpoint of the taxpayers who are paying the bill, what counts is the total amount to the taxpayers, and that you cannot deny.

I have reservations about the difference in the incentives by gradations, and while it may be that only 6 percent or so of the people are on public housing, I think we had better look at that pretty carefully.

DIFFERENCE IN STATUS OF PEOPLE IN URBAN AND RURAL AREAS

Now, in your concluding remarks, Mr. Secretary, you said, "We are asking for a system that is equitable and one that recognizes the needs of all families and children in poverty."

I think everyone would agree with that statement. The question is whether or not the application of the bill will achieve that objective. We can all go out in opposite directions over what is equitable and what is in poverty. But one thing that troubles me greatly about this, in trying to devise an equitable bill which recognizes family and children in poverty, Secretary Richardson testified that there is no difference between the status of people in rural areas and the status of families in urban areas.

That was a principle that I thought had been pretty firmly established through the Office of Economic Opportunity, and I have not had a satisfactory answer as to why we do not continue the recognition of the difference that exists between those two kinds of families.

Would you have any objection if this bill were drawn in a manner which would require, which would authorize, the creation of such a status in order to achieve equity in the poverty status that you refer to in your concluding remarks?

Secretary HODGSON. Isn't one of the principal ways that is recognized now with State supplements?

Senator MILLER. I do not know. It may be yes; it may be no. But I am looking at the total at the end of the charts with all of these variants in-kind and cash amounts taken into account, and I see no differential between the people, the families living in the rural areas and the families living in the urban areas.

It does provide a base for the State supplements to accommodate in whatever way they see fit for differences beyond that base, that is true.

Perhaps we should require that the State supplements take that into account.

Secretary HODGSON. I do not have any observations to make on it.

Senator MILLER. Then further, there is no effort made to differentiate between the cost of living by areas of this country. It seems to me that the difference in the cost of living is considerable from one area to another and if, indeed, we are trying to achieve equity and recognize the poverty conditions, it seems to me we ought to do that, too.

Now, maybe this can be taken into account through State supplements.

Secretary HODGSON. This is where it is taken into account.

Senator MILLER. But if it is, maybe we ought to make sure that it is, and there ought to be some uniform Federal standard so that the State supplement in one area will not be higher than in another area, which has the same cost-of-living base.

Secretary HODGSON. Well, as you know, the purpose of this, as a structural form, is to build and then allow States to go beyond that base as they see fit, for the reason of the kind that you mentioned, differences in cost of living, and what they feel they can afford with their tax base, and things of that kind. But we have not carried it so far as to dictate to the States what exactly they should or should not do in the way of State supplements.

Senator MILLER. It seems to me we could dictate at least a minimum, and then if they want to go beyond that, all right. But we ought to be satisfied that there is a target which is going to recognize the differences, and see to it that the States recognize the differences.

If they want to go beyond that, that would be up to them, I suppose. But I am concerned that we may have a uniformity of national standards here which is, as I understand it, a very important ingredient in this bill.

Secretary HODGSON. Uniformity in minimum standards, but not in averages or norms. The averages or norms will be gained by how far the States in their respective wisdom and for their respective reasons choose to supplement the national pattern.

Senator MILLER. That is correct. Uniformity in minimums which would, I think, require uniformity with respect to cost of living by areas, and uniformity as between urban and rural as minimums.

Secretary HODGSON. Well, we let those things be accommodated for by the States as they so choose.

Senator MILLER. Yes; but, you see, we leave it as they so choose without a minimum, as I understand it.

Secretary HODGSON. Without a minimum for them, but a Federal minimum for it.

Senator MILLER. It seems to me it ought to be a Federal minimum for them.

Secretary HODGSON. We believe in a floor, but a national floor. But going beyond that, and saying there ought to be specific accommodations required of the States for the two reasons that you mentioned, the cost of living and the difference between rural and urban living costs, those things we have left to the accommodation by the States themselves.

Senator MILLER. I know you have, and my point is that I do not think we should leave it that way, without having some minimums put in here.

Secretary HODGSON. I understand that.

Senator MILLER. I understand that this can be difficult in administering. This is, I think, one reason why we have stayed away from it for a number of years. But, by the time you realize that you are becoming sophisticated enough to run these job banks which, I think, is a tremendous idea and will be meaningful, and with the computer facilities that we have, it seems to me that it is now in the area of feasibility, and I think we ought to take advantage of it in order to do equity. If you would like to explore that a little and just add a comment for the record later on, I would appreciate it—

Secretary HODGSON. I will do that.

Senator MILLER (continuing). Because we do not want to saddle you with something that is not administratively feasible.

Secretary HODGSON. It is not only a problem of administration but, as you well know, I think there would be different views on how far the Federal Government ought to go in asking States to conform to Federal standards beyond that which we have already, so that is where the rub comes.

Senator MILLER. Could you give us a comment, with the assistance of your staff, on that point?

Secretary HODGSON. I would be glad to do that, Senator.

Senator MILLER. It would be helpful.

Thank you very much, my time is up.
(The information follows:)

Differences among States in the cost of living can be recognized in setting the amount of the State supplement. However, we would be reluctant to add a Federal standard specifying how the States must do this. The proposed legislation now specifies the income level for eligibility for State supplements, the amount that must be disregarded, and the percentage the supplement can be reduced as earned income rises. We can not completely circumscribe the State participation and maintain a Federal-State system. Since the States are paying 70% of the supplement, we believe they should have control over setting the amount.

The CHAIRMAN. Thank you, Mr. Secretary.

Now, I regret to say that we will have to conclude this morning's session. I had hoped very much that I would be able to call on Senator Fannin, but I will call on him promptly when we meet on Thursday.

(Discussion off the record.)

The CHAIRMAN. We will recess until 10 o'clock on Thursday morning.

(Thereupon, at 12:15 p.m., the hearing was recessed, to reconvene on Thursday, August 6, 1970, at 10 a.m.)

THE FAMILY ASSISTANCE ACT OF 1970

THURSDAY, AUGUST 6, 1970

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10:15 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long (presiding), Anderson, Talmadge, Byrd, Jr. (of Virginia), Williams, Curtis, Miller, Jordan, and Hansen.

The CHAIRMAN. Mr. Secretary please pardon us for being late at this hearing. We had scheduled a briefing at 9:30 on another matter and that matter is still going on, so I will commence the hearing and the other members will be in in a few moments.

MINIMUM WAGE

Mr. Secretary, a working man receiving a minimum wage, who works full time, will have an income of about \$3,320 a year at the present \$1.60 minimum wage. If he has a family of four, the family will be eligible for \$300 in family assistance. If, however, the minimum wage were to be raised to \$2 an hour, his earnings would increase to about \$4,160 a year, and although he would no longer be eligible for family assistance, his total income would be about \$500 higher annually than if the minimum wage stays at a \$1.60 figure and you pass this bill. With this one move, the cost of the bill would be reduced substantially and the number of families headed by working persons eligible for welfare would no doubt also be substantially reduced.

Do you support or would you support an increase in the minimum wage to \$2 an hour?

**STATEMENT OF HON. JAMES D. HODGSON, SECRETARY OF LABOR;
ACCOMPANIED BY JEROME ROSOW, ASSISTANT SECRETARY FOR
POLICY, EVALUATION, AND RESEARCH; MALCOLM LOVELL, AS-
SISTANT SECRETARY FOR MANPOWER; ROBERT J. BROWN,
DEPUTY ASSOCIATE MANPOWER ADMINISTRATOR, U.S. TRAIN-
ING AND EMPLOYMENT SERVICE; AND PAUL E. BARTON,
ASSISTANT TO MR. ROSOW**

Secretary Hodgson. Mr. Chairman, we believe the minimum wage is an entirely separate matter from the family assistance plan and its provisions. The reason is this: In the private sector, compensation is done on a basis that is without relation to family assistance and

family status. It is done on the basis of productivity and the whole compensation pattern of the private sector is of that nature.

Now, compensation in welfare is related to size of family. In consequence, there are areas of awkwardness when you confuse the two. For instance, for a married couple without children, \$1.12 an hour produces the same relative wage as \$2.86 an hour for a family with six children as far as what it will buy for them and sustain them. So for welfare, we need to relate the amount that a person receives or a family receives to the size of that family. Minimum wage does not do that. So it is an awkward thing to try to superimpose one on another. So we do not think that raising a minimum wage is an answer to the welfare problem.

The CHAIRMAN. Well, now, you would agree, of course, that raising the minimum wage will—would, at least theoretically, take a lot of people off the public welfare.

Secretary HODGSON. It would take some, no question about that. It would be the working poor, I suppose, that are affected by it. But it really is at best a very partial answer. There are reasons for approaching the subject of minimum wage on bases other than what it will or will not do for welfare. We concentrate in this welfare plan on moving people out of welfare status into true work status. We feel that the way to do it is to ease the transposition from a family kind of compensation plan to the traditional compensation program or plan or pattern that exists in the private sector. That is best done by utilizing the kind of device we have proposed rather than by taking this rather narrowly conceived approach of just raising the minimum wage.

One of the things that minimum wage can do also, particularly in times of economic slowdown like the present time, is that it may throw people out of work; also, opportunities for work that may open up at levels that would be between the new existing level and raised level would not occur. So we are not sure that this is a proper time to consider it generally, and we are not of a mind to believe that raising the minimum wage is an answer to the welfare problem.

The CHAIRMAN. Well, then, we will have to recognize that if you raise the minimum wage, it is going to cut in both directions. It is going to take some people off of welfare and it is also going to put other people on welfare.

Secretary HODGSON. That is very true.

The CHAIRMAN. Because there are some people who can produce enough to justify a \$1.95 wage, but not enough to justify a \$2 wage. So while it takes some off, it also puts some on. It works both ways, I believe.

ADEQUATE WORK INCENTIVES NEEDED

Secretary HODGSON. That could happen.

The CHAIRMAN. There is one thing that occurs to me as a logical answer to some of this problem: Here is a person who can justify a minimum wage. He is adequately productive for that. He does not make enough to support a large family. Now, in that case, it would seem to this Senator that we could well justify supplementing his income, paying something to his employer in order for that employer to pay him enough that that man could support that family. But if

we are going to pay him that figure as a welfare payment, then the wage that he is receiving from his employer is not nearly as remunerative or tempting or as much an inducement to work as it would be if it were part of the check that that boss pays him.

In other words, if we were to take this man making \$1.60, pay that employer enough to where he could be paying the man \$2.50, then the man receiving that as a check for working would look upon that as a rather meaningful and worthwhile job compared to how it would appear if you are paying him a welfare check for \$1 an hour, or for whatever that works out to in a month, that he receives separately from that \$1.60 an hour he would make as the minimum wage.

Now, in that case, he would not have an incentive to look with disdain on or quit that job that he would have if he had the welfare check coming in to him separately. Now see the difference, Mr. Secretary?

Secretary HODGSON. The principle you describe is, of course, principally the reason that we have included coverage of the working poor in this bill. What you are suggesting is that instead of the supplement being paid directly to the individual by the Government, that it be channeled through the employer. I am not sure that the mechanics of that or the philosophy of that would produce the rewards you are suggesting. If the supplement is obviously a Government supplement, whether it is in the form of a Government check or an employer's additive, the psychological effect of that might be of some modest benefit. But I do not think it is sufficient to cause what I would consider to be a considerable problem for the whole compensation pattern in the private sector. It would start to fuzz up the private sector's traditional approach to compensation which is usually, as you know, dollars per hour, dollars per week. It is for a kind of work with like people doing like work being given like pay by the employer. The principle of equal pay for equal work is something that the private sector, both through collective bargaining and through its own compensation patterns, has established. And if the private sector should find itself paying one man \$2 an hour—that is, \$1.60 that is the wage that it would pay, plus the 40 cents supplement that the Government would pay—and this man were working alongside another man who did not have children and was being paid \$1.60 an hour, there might be a little internal plant dissension. This is the kind of thing you would have to watch.

So I do not think we ought to distort the private sector compensation patterns by feeding the payment that we are talking about through the private sector.

The CHAIRMAN. Let's look at the difference in approach, Mr. Secretary. The program of which you are speaking starts out with a giveaway program and then follows through with a takeaway program. You start out by giving this man a welfare check and wind up by taking it back away from him. How much better would it be if you started out by paying the man a check which is a meaningful remunerative check for work, and as far as he is concerned, on the side of the coin that he is looking, it never is taken away from him. The employer knows about the subsidy being phased down, and he understands that in order to give that man a \$2 pay raise, he must pay per-

haps more. He understands that, if that is what it means. But you are not confronting an ignorant man who never had a good job in his life and who has had very little education with the frustrating situation that we are faced with on these charts—if he makes \$1,000 and gets \$1,200 taken away from him. Even if it gets down to taking away a thousand dollars, if he makes \$1,000, it is a very frustrating experience. The most well motivated people in this country, when they got confronted with an 82-percent tax rate, they just quit working at that point, said, "I'll see you next year."

But here are people who were never that highly motivated, they just do not see the worth of the economy to that extent. They figure their only answer is to cheat on it. The program is so unfair that there is no reason they should be fair with it.

Can't you understand the frustration, anger, and resentment on the part of a poor man who finds that the take away program is taking meat off his table? He feels, "All right, if I do any more work, it will have to be strictly for cash with no records kept."

Secretary HODGSON. There are two aspects to your question, the latter one being the question of whether there is adequate incentive in the graduated amounts that we have provided for under our plan. The first one, however, giving it on one hand and taking it away on another—I know that this was a very substantive argument made against the withholding tax back when the withholding tax was first offered up as an approach to Federal income taxes. People got accustomed to the fact that their checks would be reduced each month by a certain amount to pay for the Federal income tax, and I think by and large, we would have to say that this approach is wise, because most States are even using it now, or at least they are going toward it. So the fact that a certain amount is paid and a certain amount is taken back is an accepted kind of thing on the part of the American work force, I believe, accepted and desired, rather than the alternative.

Now, with regard to the second aspect, the question of whether there is adequate incentive or not, that has not so much to do with the form of how this is done, whether it is done through the employer or done directly, but has to do with the range of questions we discussed here Tuesday. It may be that we ought to get into that a little bit further now. It is one of the things that has concerned me greatly prior to Tuesday and even more since Tuesday, and I have been trying to reflect in my own mind how we might best place this picture before this committee so that they would see it as we do. Because we think that we have structured in this family assistance plan a kind of balanced arrangement with regard to cost and to equity and to incentive that would lead us to achieve the objective of this plan, and that is to get people off of welfare rolls and into the world of work. In examining this incentive picture, we have tried to see how it works in the real world, the world right down there where people are on the marginal status between welfare and the world of work. Maybe the first thing I ought to do is just sort of tick off the various features of the act and how they work in practice from the work-incentive standpoint.

The work incentive features of the act are both a removal of disincentives, a provision of incentives, and then a penalty for not responding. It is kind of a three-way proposition and includes required registration to work. This gets the individual into the employment mill.

Then there is the direct referral process, which enables many to take advantage of this process with jobs linked to computer banks and exposure to the whole labor market process that you get into when you register with the Employment Service.

There are training opportunities. These will be expanded to help these people qualify for jobs. Incentives and payment of expenses are provided while they are training. And this, of course, is for the people without skills who cannot get jobs otherwise.

The child care provision that we discussed considerably on Tuesday as being a very desirable and essential part of this provision, frees the mother for work, provides for development of the child, and hopefully will break a cycle of poverty for the next generation.

Then there is the matter of partial aid for the working poor that removes what might be their incentive to quit, and go completely on welfare, the kind of thing we have been talking about here. One wonders how many have quit because of the way the welfare situation has operated in the past.

Also, the work requirement: This is the negative aspect of it, or the stick rather than the carrot. There is the requirement to accept or continue in work and training, with a financial penalty for failure to comply.

Now, those are some of the basic incentives and conditioning factors, and there are also the disincentives that we have removed, related to such things as the related-in-kind programs, the commodities, the public housing, the medicaid. And finally, of course, the financial incentive will always enable the family to increase its income at least somewhat by increasing its earnings.

Now, that is sort of a roster of things and taken together as a pattern, they are pretty impressive. But to really place them in perspective, it seems to me we ought to look at some specific situations. Let's take a woman in New York City with three school-age children who is on welfare and not working. They say if you can make something work in New York, you can make it work anywhere. The first reason this woman is not working is because she does not have arrangements for taking care of her children; she just can't afford it. Under the Family Assistance Act, she is going to have this child care. In addition to the custodial or baby sitting kind of service, it provides the advantage for the children of education, adequate diets, and medical attention. And when she is placed in training, she learns that her income will be increased by at least \$30 minimum as an incentive and she will be given an extra allowance for all the out-of-pocket costs that go along with that training.

The combination of the availability of day care, plus the extra money is only one factor. Having a skill, you know, and having a job means something in this world. In this country, by and large, what you do defines who you are. The status aspects of a decent job are just hard to put a price tag on. But it is an enormous magnet and we should not forget it.

Now, having finished training, this mother is referred to a job. If she does not accept she is going to lose a lot of money. It means a reduction in an already marginal standard of living.

But if she accepts the work, what does she get? In New York, the average graduate of our WIN program is earning \$2.46 an hour or

\$5,000 a year, about \$415 a month. After taking into account the reductions in family assistance payments, the State supplements and the loss of goods, food stamps and taxes, her new monthly income would be about \$463 a month. That is \$137 per month more than her money and food income of \$326 a month on welfare. That is a big boost. But it is really a lot more significant than the percentage increase in the income would indicate. This is the point that I want to try to convey as effectively as I can.

The reason is that somewhere around what she was getting on welfare, the fixed monthly expenses there for the bare necessities was probably reached. These are fixed expenses she has. This means a large share of the added \$137 a month is going to be what economists call discretionary income over which she has some control. She can spend it on clothes and shoes for the kids and things that she wants.

Now, in fact, it is very likely that all this discretionary income is as a result of going to work. It is that kind of income that makes the difference. You can look at that this way: The financial incentive is strong.

I can recall some of the work we did when I was in the private sector getting people off welfare, listening to them describe how this works with regard to their own circumstances. In Santa Clara County in California, where we worked with these welfare people for a number of years, we used to sit down with them and get their actual circumstance as it existed in the world of welfare and then see how that would translate into the world of work and how their personal circumstance would be affected.

I recall there was particularly one young Mexican American that we worked with. He had six children, he was deeply in debt, he never seemed to be able to keep his car in good repair. A social worker who was supposed to minister to him could do very little but just talk to him and make routine calls, occasionally offer some counsel. Occasionally the man looked for work, but he was basically without skills and he had little luck. He really lived for just the 6 weeks a year that he could perform cherry picking. Out of the previous 48 months before we had talked with him, he had only worked 8 months. He lived for this very brief time when there would be little more than this normal subsistence income he got on welfare. He was proud of his family, but he had no concept at all how he was going to change his life. He got a total of \$388 on welfare. When we added up the total of rent, appliance payments, car payments, minimum of \$10 per week food per person, that total family budget, that was fixed outgo, was \$370. That left 18 bucks for all clothes, sundries, everything else.

When we talked to him, he said that \$18 is all that is mine. And that is what he had.

Well, the job offer that he had before him was \$405. Now, would he take it? Absolutely. Well, it was not much more than welfare. Welfare was \$388. This was \$405. But the way he looked at it, it was not an increase of \$17 or 5 percent. He saw it as nearly a 100-percent increase. He had \$18 a month this gave him an additional \$17.

Discretionary income, the stuff that is available to move beyond where you are at the present time is the way people at the margin regard additional incentives. It is not necessary to have an incentive that is impressive as we commonly think of it with middle class standards.

You can see that this would let people measure differently in this area how they look at a little increase.

As I say, money is not the only factor involved. People do not only want decent jobs because they pay more, but because they are usually ones that have certain features. They have greater fringe benefits, those that are not included, usually, in the tables. The work is usually better, cleaner, less physically demanding, and work carries prestige in the community.

So while I do not want to play down economics in this and I do want to show how they work, I want to make sure we do not ignore these other factors as well as economics.

Family assistance does not rely on a single approach. It has at least the aids I mentioned, removing disincentives, providing incentives, and providing a penalty for not responding. But the aspects of the proposal are written simply to move people to payrolls and off welfare. Here we had to strike this balance between cost to the Nation, incentive to the worker, and penalties to be effective. The incentive features that we built in, though on some charts and some theoretical propositions they do not look as impressive as they might, they will do the job.

The CHAIRMAN. Mr. Secretary, let's not look at the carrot part of it. I just want a yes or no answer. Let's look at the stick part of it. Can you say that the provisions in this bill before us to make welfare people to work are any more compelling than what we already have in the existing law?

Secretary HODGSON. Unquestionably.

THE WIN PROGRAM

The CHAIRMAN. You say under the existing law, under the WIN program, that in appropriate cases, these people will be referred for work. That law requires that if they do not go to work, they are not to receive the welfare. All you do is make them register.

Secretary HODGSON. Look at what has happened under that WIN program. Some States have handled it in a manner that is effective. They refer people and they do something about people who do not cooperate. Others have not. Now this becomes a national program, with national standards to insure against that kind of thing.

Now, if you look at the existing WIN program, with its built-in deficiencies, and say that the family assistance plan is not any better than that, quite obviously, we are not talking about the same thing.

There are several at least six major deficiencies in the WIN program that our plan removes as we see it. It provides greater training incentives, permits payment directly to the trainees. It reduces State matching requirements so it relieves the State from that standpoint, eliminates entirely the need for child care that is not provided for properly in the WIN program, and eliminates discretionary procedures for registering for training. As we pointed out yesterday, some States have as high as 96 percent referral others as low as 19. FAP clearly specifies agency responsibilities, and this is the area you are talking about.

And certainly, it removes the barriers to special work projects that exist at the present time that have made that program of limited effectiveness.

So we think that program is a good base to build on and we are glad we have had the experience that it has provided, but we certainly do not think that that experience and the way that it has been administered, and particularly in the area you have mentioned, the area of discretion, should be an indication of how we are going to operate under this program.

The CHAIRMAN. I will come back to that, Mr. Secretary. I want to explore it further with you.

While you have been answering that question, we have had other Senators join us who were at the briefing at the time I opened this hearing. I want to call on the Senators who did not have the opportunity to address themselves to you in our first session.

Senator JORDAN will be the first one.

SIZE OF THE NATION'S WORK FORCE

Senator JORDAN. Mr. Secretary, the other day in your presentation, you said that the 3.6 million workers entered jobs each month, either from the ranks of the unemployed or from those not in the labor force. How many people are presently in the labor force?

Secretary HODGSON. There are well over 80 million, including numbers of the armed services who are of employable age—I think it is 84 million in the labor force as a whole. There are about 81 million excluding those in the armed services.

Senator JORDAN. Then if 3.6 million additional workers come in every month—

Secretary HODGSON. Not additional. No; I certainly would not want to leave that impression. I am trying to describe the churning that goes on in the labor market. Some leave one job and move to another. They are not additional. But the job openings, the new jobs being filled are new in the sense that it is new to the person who goes in there. But if he leaves one job one week and a week later he goes into another one, he is a statistic there. He is not necessarily a new person in the labor force at all. He has been in the labor force all the time, but it is a new job for him.

What we are attempting to demonstrate with that 3.6 million figure is what people who do not work with the labor market everyday commonly do not really grasp fully. It is that the labor market is a scene of constant turnover and change. There are constantly developing job opportunities. People switch jobs with great frequency.

Most people are horrified at when they hear that the average turnover of the average employee group in an industrial plant actually amounts to about 50 percent turnover in the first 6 months. That seems horrible when you think of it, but it is just about normal.

Senator JORDAN. Then of the 3.6 million workers who enter jobs each month, nearly a corresponding number would drop out of jobs, so that you have—

Secretary HODGSON. That is right. It represents a shift, not an addition.

Senator JORDAN. A turning?

Secretary HODGSON. Yes.

Senator JORDAN. What is the annual addition to the existing work force, either in percentage or numbers?

Secretary HODGSON. BLS says it is a million and a half to two million.

But this is a strange thing. It really varies. For instance, one of the things that rather amazed us was what happened in the first 5 months of this year, when during that first 5 months, the number of new people that came into the work force was just about what we had expected for the entire year. So the ebb and flow of people in and out of the work force is one of the most puzzling things to understand and we really yet do not have a good grasp of exactly why some women, some teenagers, some semiretired people move back and forth into and out of the work force the way they do. But there is quite a movement.

INCREASING WELFARE ROLLS

Senator JORDAN. Now, we had an estimate earlier that there are presently 10 million people on welfare rolls, and under the proposed law, H.R. 16311, this would increase to approximately 24 million. Is that right?

Secretary HODGSON. We have objected to that.

Senator JORDAN. What is your figure? What is your estimate?

Secretary HODGSON. We say that it is a potential of 24 million.

Senator JORDAN. OK.

Secretary HODGSON. Secretary Richardson, if I read his testimony properly, characterized that on one hand we took the actual number rather than the potential number under the existing program and compared it not with what the actual will be, but with what the maximum potential will be under the new program. As a result, it is a characterization that lacks realism. I do not have a figure in mind of just what it would be.

Senator JORDAN. What is the potential under the existing program so we are comparing likes?

Secretary HODGSON. We'll have that for you in a minute.

Senator JORDAN. All right.

Secretary HODGSON. We generally believed that it might double.

Senator JORDAN. You think the potential under the existing program is 20 million?

Secretary HODGSON. It could be just about double what it is now.

Senator JORDAN. What you are saying, then, is by the adoption of this bill, only 4 million additional might be—

Secretary HODGSON. No; I really do not want to estimate in an area where I believe that the Secretary of HEW would be able to give you a much better grasp of that than I. There would be considerable additions. I know it would not be the full potential, but I am more familiar with the labor market and the working aspects of this plan than I am with the welfare aspects of it.

Senator JORDAN. How many additional families under your estimate would be available for assistance under this legislation?

Secretary HODGSON. If you take a family, rather than persons, it is about 1.7 million.

Senator JORDAN. Additional families?

Secretary HODGSON. Additional. You understand, Senator, that is a combination of working poor and others.

Senator JORDAN. That is right.

ADDITIONAL TRAINING SLOTS

I understand you are proposing only 225,000 training slots for these 1.7 million families. Is that correct?

Secretary HODGSON. Your question again, please?

Senator JORDAN. You are proposing 225,000 training slots—

Secretary HODGSON. For the first year.

Senator JORDAN. For the first year for this additional 1.7 million families.

Secretary HODGSON. That is correct.

Senator JORDAN. What are the rest of them going to do?

Secretary HODGSON. For one thing, as we pointed out before, a large number have had some work during the past 12 months. It is not necessary for everybody to have training in order to get work. A lot of them, by requiring them to register, getting them into the employment referral procedures, will unquestionably result in their being referred to work, getting into meaningful employment, without training. But the reason we only suggested that number of additional training slots is that we already will have a number of training spaces available under present legislation. The 225,000 represents the additional amount. But even then, we do not believe we can cover everybody the first year.

And we are going to have to have some priorities, because it would be unrealistic for us, we believe, to think that we could expand this and do the job all in 1 year. It is going to take longer than that.

THE WIN PROGRAM

Senator JORDAN. Will this new training program replace the present WIN program?

Secretary HODGSON. Indeed it will.

Senator JORDAN. So you find plenty of wrongs with the present WIN program and you are not happy with the results it has achieved?

Secretary HODGSON. We find plenty wrong with it, but we also find an awful lot right about it, Senator. One of the great things that is right about it is the encouraging extent to which people have volunteered for the program.

Senator JORDAN. Let's see what is right with it.

You came—not you, but your predecessors—came before the Congress in 1967 and testified before the conferees that they would need 150,000 training slots for people under the WIN program. In 1969, their estimate to the Appropriations Committee was that they had 77,000, not 150,000. But actually, 42,000 received training.

Now, what is good about that?

Secretary HODGSON. That is the early picture. It is not the present picture. And it is only part of the picture. There are some things that are good about the program that I would like at this time to go into at some length, particularly with regard to some specifics as to numbers, placement, and the effectiveness that we have recently been able to achieve by working with HEW, sending teams of people out into the States to remove the former barriers that existed to this program, clear up misunderstanding and getting it rolling.

Senator JORDAN. All right. While you are explaining—

Secretary HODGSON. I would like to ask the Assistant Secretary for Manpower, Mr. Lovell, to give you an understanding of that, as I think we would like to present it.

Senator JORDAN. I hope he will cover the whole experience with the WIN program, starting with the estimate of 150,000 before the committee, and conference committee, in 1967, right down to the fact that only 13,000—less than 4 percent—have actually graduated from the program and been placed in jobs. I wish he would do that for the record.

Secretary HODGSON. We will be glad to.

Mr. LOVELL. Senator, let me start by giving you the latest figures on the program. About 16 percent, or 25,000 people, are currently working on jobs. About 77,000 people are currently in the program, in the process of being trained and oriented for the world of work, and some 53,000, about a third, have dropped out of the program. These are figures as of April 30. Currently, there are about 100,000 people, 98,000, enrolled, which is pretty close to the target that we set in January of this year of having 100,000.

Now, I am not suggesting that we reached this point easily or without many problems and tribulations. Early estimates were grossly optimistic. We were not able to launch the program with the speed, with the effectiveness, that we had hoped. There were many reasons for that, or you might even call them excuses. But I do not think you are interested in excuses or reasons, you are interested in results.

The Department of HEW and the Department of Labor, with our State counterparts, have been working diligently to overcome the numerous problems that have hindered the effective performance of this program. We think we have been quite successful. We have built very good relationships with our counterparts in HEW, both nationally and at the State level. We would have preferred to say to you today that we had not 100,000 people enrolled but 200,000. We would prefer to say that we had 50,000 in jobs rather than 25. But to have 25,000 people working, we think, is credible. We think that with the changes that the Secretary has mentioned for the family assistance plan, the experience we have had in WIN can be improved considerably.

Now, we are not proud, for example, of our performance with OJT, although we have gone from a little over 100 to 600. That is a pretty pitiful performance when you consider that there are 75,000 people currently enrolled. We are dedicated to improving this. We are working with the States to improve their contracting capabilities in this regard, and we are setting higher priorities in OJT than we have set in the past.

The cost of WIN in terms of money that has actually been spent is about \$100 million, or roughly \$1,000 per person currently enrolled. This is, in my judgment, a reasonable expense when compared with other programs in the manpower area. The experience per person actually working—and we do not think this is a very good measure, because there are 75,000 people still in the pipeline, but even if you were to do it on the basis of those working, it comes to \$4,000 a person; \$4,000 to get somebody into the work force in a permanent fashion is not an unreasonable expenditure.

Job creation—if we were to create public jobs, which many people are advocating, the annual cost would probably run \$5 or \$6,000 per year in perpetuity, as long as they are on that job. If we can spend from \$1 to \$4,000 per person on a one-time basis to make them employable, we think that is worthwhile.

Secretary HODGSON. It seems to me that the history of training and job development programs, is one of an initial learning curve, both in how to do it and finding out what is wrong with the way you originally set it up. We think that both of those two things are well underway. We are coming down the learning curve fast in the WIN program.

With the changed provisions in the family assistance plan vis-a-vis, the original WIN that remove the various barriers I have talked about, we will make the corrective measures that need to be made in the program itself. With the experience to be gained in how to do it, we are going to be able to do it better and more effectively in the future.

I think that it is very easy in any manpower program, particularly a new program like WIN, to look at results and say, you have only placed "X" number of people and examine the total number of people that have entered the program and make it appear that you really have not done a job. Well, the real reason that it appears that way is that you still have so many as the Assistant Secretary Lovell says, in the pipeline. It is like saying, why have you not placed all the people who went to college and most of them are still in freshman, junior, and sophomore years. They are not ready for placement yet. But of those that are ready for placement, we have placed a goodly number. The ones that we have placed have remained in their jobs in a goodly percentage. So we believe that we have, as I say, two things going for us: One, the remedial measures that we have made in the existing program that we have now had enough experience with to see that they are necessary to make the new WIN work better; and second, with enough experience in the ongoing aspects of this program to make it a successful program as envisioned by the family assistance plan.

Senator JORDAN. But we have not gained on it at all. We have not gained on it at all with the WIN program, because since July 1968, the inception of the WIN program, 641,000 families have been added to the AFDC rolls. Is that about right?

Secretary HODGSON. I would not be surprised.

Senator JORDAN. Of whom about one-half, a little over 330,000, are appropriate for referral to the WIN program, of whom 254,000 actually were referred to WIN and of whom about 145,000 were enrolled in the WIN program, and you have an alumna association of 13,000. That does not keep up with the annual accretions of families under the present program.

Secretary HODGSON. But does that not reflect several things, Senator? Does it not reflect a period of economic slowdown we are in, which brings people in both under the program in unusual numbers, and also makes less opportunity for placement during this period?

Senator JORDAN. That is right.

Secretary HODGSON. Sure.

Senator JORDAN. All right. But under this bill, for instance—well, I will back up a little bit.

In 16 of the States where this bill was put into law, over 15 percent of the population will be on welfare. In some of the States it runs a fantastic number. In Mississippi, 35 percent of the people will be on welfare under this bill. In North Carolina and South Carolina, 19 percent respectively. In these three States alone, nearly 2 million more people will be on welfare under this bill than are under present law. Is that about correct?

Secretary HODGSON. It could be.

Senator JORDAN. Your assistant is nodding approval.

Secretary HODGSON. The reason I say this is we are very disturbed about estimating the number who will actually take advantage of and be on the new welfare plan.

Senator JORDAN. These are the things we have to worry about on this side of the table.

Secretary HODGSON. I agree. We do, too. But I am just not in a position to say exactly how many, or even within a plus or minus 10 percent, because there are these factors that exist even under the present plan, where a large number of people who are eligible just do not register, do not take advantage of them. The extent to which that will prevail in the new one, we are not absolutely sure.

Senator JORDAN. Well, I am not going to take more than my allotted time here. I just think that your prospective training program of 225,000 slots, in view of the increased enrollment on welfare rolls under this new act, is wholly inadequate, and if the same results obtain as presently seem to be indicated under WIN, you are not even going to keep up with the yearly accretion to the relief roll.

Secretary HODGSON. Well, Senator, we could, of course, come in with a rather pie-in-the-sky attitude and suggest that we are going to do this all at one time, 1 year, and gin up immediately to accomplish the whole thing. We do not think that is a realistic estimate. We do not think we ought to indicate to this committee or to the American public that it can be done. It can be done with time, but it is going to take the additional buildup that is required to get there.

But I am not saying that it is thereby a bad program in any way. It just means that it is going to take time like any program to build up.

It appears to me that one of the reasons that we are so concerned at the present time about WIN is because somebody had an expectation of how rapidly they could build it up at the outset. We do not want to make that same mistake.

Senator JORDAN. I yield, Mr. Chairman.

Senator ANDERSON (presiding). Senator Hansen?

TRAINING AFDC RECIPIENTS

Senator HANSEN. Thank you very much, Mr. Chairman.

Mr. Secretary, can we agree that the basic welfare problem is the tremendous growth of AFDC in the last 10 years or so?

Mr. HODGSON. That certainly is one element of it. The basic welfare problem in this country, though, seems to me to be that we have not only an increasing proportion of the population on welfare, but that we are not doing enough to get them off welfare and into the world

of work. So you take this category of people that sometimes is a second generation on welfare and a possible continuance or growth of that and you couple that with the fact that no major initiative that is of sufficient scope to deal with it is being undertaken. The combination of those two is what I would say the problem is.

Senator HANSEN. Well, I think you have touched on two points, one of which has prompted some response from you already in answer to questions raised by Senator Jordan. But granting or recognizing what you say, which I think essentially is that we have not come to grips enough with the problem to move these people off unemployment rolls to explore job opportunities and to avail ourselves of every device we can by which people may be moved from welfare into the world of work, would you not say, then, that the success of this bill in solving the AFDC growth problem depends on the variety of training programs made available to mothers on AFDC to meet the employers' needs for workers?

Secretary HODGSON. We agree thoroughly that we need a variety. We need flexibility and that is the reason we have proposed a non-categorized type of program where it will not be a problem for us to fit the person's circumstance to some preestablished framework of programs, but where we can create the kind of program that will meet the individual circumstances. This is one of the problems that we labor under in our present Manpower Administration. We have a series of categorized programs, very fine programs in and of themselves, but quite frequently, they do not meet what is a local or a changing problem. As a result, we are unable to really do the kind of job we could do if we had more flexibility. But a variety of programs and a flexibility in applying them is an essential ingredient, both of the family assistance program and of our proposed manpower training.

Senator HANSEN. Is there any valid reason why Federal funds should not be available for training AFDC mothers in any job skill if there is need for workers with such skills?

Secretary HODGSON. I will ask Assistant Secretary Lovell to answer that.

Mr. LOVELL. Generally speaking, we do train people for almost any skill. The only exception I can think of right off hand is sewing machine operators. This is because the previous legislation excluded this particular skill category from the authorization. The exclusion regards companies moving away to new areas and setting up at lower wage rates because there are nonunion programs and using Federal money to train people for those occupations. The intent of the exception is to prevent such an occurrence.

Senator HANSEN. You say there was Federal legislation which denied their training. I did not quite get all of your response.

Mr. LOVELL. Yes, sir, the Manpower Development and Training Act does not permit training for sewing machine operators.

It is in the congressional report.

Secretary HODGSON. Senator, we have some legislative history on this if you would like us to submit it to you.

Senator HANSEN. I would be very much interested. What you are saying or what I understand you are saying is first the Secretary responded that he could think of no reason—well, I think he referred the question to you. But I believe his initial response indicated accord

with my feeling that if there is need for people with certain skills, there should be no reason to discriminate against training or imparting those skills to persons out of work with the capability of performing those tasks. Now do I understand you to say that there is specific legislative prohibition against this?

Mr. LOVELL. There was a conference report which made it illegal for us to train certain classes of sewing machine operators; yes.

Senator WILLIAMS. Made it illegal, you say?

Mr. LOVELL. Yes, sir.

Senator WILLIAMS. We will get a copy of that conference report. I do not recall that.

Mr. LOVELL. Let us amend this for the record.

Senator WILLIAMS. We will have it for you in a few minutes.

Mr. LOVELL. Yes, sir.

Senator HANSEN. You say you will have it in a few minutes?

Senator WILLIAMS. They are getting it now.

Senator HANSEN. I suspect that the following questions I have would not be appropriate until you are able to provide this bit of information.

If I may, then, Mr. Chairman, let me withhold temporarily some further questions that I would like to propound and take another tack here.

Mr. Secretary, at the hearing with Secretary Richardson on July 22, I asked him how many persons would be trained and placed by your work incentive program in each of the first 5 years after enactment. He advised me that you will be able to testify to it when you appear. Do you have an answer to that question and can you tell us how much you expect the savings under the welfare program to amount to in each of the first 5 years because of it?

Secretary HODGSON. There are some savings in the program that will result from training, we believe. But training is only one of the aspects of the family assistance plan that is expected to reduce welfare costs. The amount of training is going to depend labor market conditions, the speed with which the training will be enlarged, and the wages that graduates receive and the extent to which they have been able to obtain employment without training.

So training is only one of the sources of cost reduction. The rest are also hard to predict arithmetically; for example, the extent to which financial incentives will encourage people to go to work; the extent to which reduced incentives to break up families will keep families whole; the extent to which removal of child care barriers itself will increase employment. With regard to the specific numbers we are contemplating. I will ask Assistant Secretary Lovell to give attention to that subject.

Mr. LOVELL. In the first year, it is our target if this law is passed to enroll 400,000 people in training and manpower efforts; 150,000 will be the level we hope to reach by next July under the WIN program, and 225,000 will be added to it. So we hope in the first year to be able to provide manpower services to 400,000. After that, I think we will have to make our judgment in terms of the capability we have demonstrated and to the point where we would eventually, I hope, be able to reach all of the two and a half million people that would be eligible for these services.

Senator WILLIAMS. Would the Senator yield a moment?

Senator HANSEN. Yes.

Senator WILLIAMS. I have the conference report here on the WIN program and I shall send it down and ask the Secretary to read it.

Mr. LOVELL. It is not WIN, sir; it is MDTA.

Senator WILLIAMS. This is the conference report and I would like you to read it, and show me where it says you cannot train those people. It is not in the conference report.

Secretary HODGSON. Let me ask Assistant Secretary Rosow to clarify this.

Senator WILLIAMS. I will put the conference report in the record—

Mr. ROSOW. I think we quoted the wrong conference report. It is in the 1967 Economic Opportunity Act amendments.

Senator WILLIAMS. You are supposed to follow the conference report on the bill that was passed, aren't you? I think it is utterly ridiculous.

Secretary HODGSON. It turns out he thinks it is in both.

Mr. LOVELL. It is not in the WIN Act; it is not in the social security law.

Senator WILLIAMS. It is not in here. You stuck it in somewhere else to get your authority to do it and to carry out an agreement you entered into with the International Ladies Garment Workers Union, correct?

Mr. LOVELL. This is under the Manpower Development and Training Act, not under the WIN Act.

Senator WILLIAMS. Under the law, you are bound to follow the conference report of the bill which was enacted. This is the bill that was enacted.

Mr. LOVELL. I was not talking about restrictions in the WIN program. I was answering the general question whether there were any restrictions on training AFDC recipients and the only thing I could think of was that imposed by the conference report on the Manpower Development and Training Act. Under that legislation, we are limited. That was the only example I could think of in which we would not train for a skill which was needed by that individual.

Senator WILLIAMS. But you are testifying today on the WIN program and you were giving the impression—at least I got it—that this prevented you from training on sewing machines and it does not.

Mr. LOVELL. I am sorry, Senator. I was mistaken if I gave that impression. I was speaking about the manpower development and training program.

Senator CURTIS. Was the WIN program authorized by legislation arising in this committee, or was it authorized under the Manpower Training Act?

Mr. LOVELL. This committee, sir?

Senator WILLIAMS. This committee.

Senator CURTIS. Is it the Department's contention that legislative intent on a bill originating in this committee can be determined by language inserted in the conference report by another committee dealing with another subject?

Mr. LOVELL. No, sir.

Senator CURTIS. What is the situation about the Department of Labor having entered into an agreement with the Garment Workers Union not to train anyone for such a purpose?

Secretary HODGSON. I think we can clear that up, Senator. We have no limitation under the WIN program for training and we favor so doing, we have no objection.

Senator CURTIS. What is the present or what was the situation with respect to the Department of Labor making an agreement with the union not to do this? There was such an agreement.

Mr. LOVELL. Senator, if there was, and I am not familiar with it, it was made before we came. Let us look into it and we will submit for the record a statement on that question.

Senator CURTIS. Very well.

Senator WILLIAMS. Submit it for the record and also submit to the members of the committee a copy of it. We are all interested in the whole transaction.

Secretary HODGSON. Yes, sir.

Senator HANSEN. Mr. Secretary, if it would be helpful for you in order not to tie down this prohibition, which I understand you have observed, to any specific program, let me couch the question in these terms: Is this prohibition on granting Federal training money a provision of any Federal law? Now, that ought to be clear enough and ought to give you a good opportunity to say whether it is or is not.

Let me repeat it: Is this prohibition on granting Federal training money—and I understand that your earlier testimony indicated that it was—a provision of any Federal law?

Secretary HODGSON. We understand that MDTA and the 1967 EOA amendments contain such a prohibition.

Senator WILLIAMS. If the Senator will yield, you will furnish a copy of that law in addition to which you have already admitted that even that did not restrict you from doing it under the WIN program?

Secretary HODGSON. Exactly.

Senator WILLIAMS. You could have done it if you wished.

Secretary HODGSON. We could have done it under WIN.

Senator WILLIAMS. Under existing law, at least.

(Information supplied at this point follows. See also, statement of the Amalgamated Clothing Workers of America and the International Ladies' Garment Workers' Union, appearing in appendix of volume 3 of these hearings.)

TRAINING IN THE GARMENT AND APPAREL INDUSTRY

In the 1963 amendments to the Manpower Development and Training Act of 1962 there was expressed the clear Congressional intent that training under the Act could not be provided in the garment and apparel industries for reasons expressed by Senator McNamara:

"The bill was designed for situations where there is a demand for labor, but in which prior training or a specific skill is a substantial prerequisite for employment in the given job. It is not intended to cover industries, such as the garment and apparel industry, where minimal training is needed, where traditionally the employer has provided the necessary on-the-job training, and where there exist a substantial number of experienced and able workers who are presently unemployed. As I understand it, we do not intend to give a competitive advantage to one employer over another by having the Manpower Development and Training Act pay costs which usually and traditionally the employer has assumed, nor do we intend hereby merely to transfer unemployment from one area to another. We do not expect use of the Manpower Development and Training Act training programs in highly mobile, highly competitive industries where minimal employee

training is needed and now is undertaken by the employer. I feel that Manpower Development and Training Act assistance in such cases would only add to industrial dislocation. It would be a waste of manpower resources, and in the long run would serve only to discredit the Manpower Development and Training Act and detract from its value." (1963 Cong. Rec. Daily, Dec. 13, 1963, p. 23343)

Thereupon Senator Clark added:

"If the Secretary of Labor is not adhering to the policy outlined by the Senator from Michigan—although I think he is—I hope he will begin to do so, without, of course, hastily and unexpectedly interrupting any ongoing projects."

Representatives O'Hara and Holland explained the Act's policy in substantially identical language to the House. (Cong. Rec. Bound Volume 109, part 18, pp. 24258 and 24261, 1963.)

The legislative history of the Economic Opportunity Act of 1964 is just as clear. The Senate Committee stated:

"It is the intention of the committee that financial assistance, grants or loans under this act shall not be made available for projects or facilities in industries characterized by substantial unemployment and unused plant capacity, for projects or facilities which utilize industrial homework in their operations, or for training programs for industries (such as the apparel industry) in which labor turnover is high and in which specific skill and training is not typically a prerequisite for obtaining employment." (Rep. No. 1218, 88 Cong. 2d sess., p. 35.)

On the House side the same intention was expressed by Congressman Roosevelt who said, "The majority of the committee have always intended this to be as obviously does the other body. I feel confident the overwhelming desires of the Congress will be strictly adhered to." (Bound Cong. Rec. Volume 110, part 14, p. 18580.)

The legislative history of the 1967 amendments to the Economic Opportunity Act reaffirms this policy and shows clearly that it is to be applied to the new training programs added by the amendments. The Statement of the House Managers on the Conference Report expresses this policy as follows:

"It would not be in keeping with the purposes of this provision, as it is not in keeping with the purposes of the Manpower Development and Training Act, to make available financial assistance or other incentives for work, training and related programs for industries which are highly mobile, labor intensive, and vigorously competitive on a national basis, which have high labor turnover, and in which the prior possession of a specific skill or training is not typically a prerequisite for employment." (House Report No. 1012, 90th Cong. 1st sess., pp. 65-66)

The same intention was expressed in the House Labor Committee Report on the amendments. (House Report No. 868, 90th Cong., 1st sess., pp. 18-19.)

This legislative policy is applicable not only to assistance under the Manpower Development and Training Act and the Economic Opportunity Act, but has been just as firmly stated for assistance under the Public Works and Economic Development Act of 1965. The Senate Report makes clear that no assistance is to be given

"... for programs, projects, facilities, or purchases to be used by or for highly mobile, intensely competitive industries, such as the apparel or garment trades within the textile industry, in which substantial unemployment and abnormal unused plant capacity exists, and in which labor turnover is high and the prior possession of a specific skill or training is not typically a prerequisite for obtaining employment. The act is not intended to give a competitive advantage to one area over another where it would lead to industrial dislocation." (Sen. Rept. No. 193, 89th Cong. 1st sess., p. 14.)

Senator HANSEN. Is it your desire that you should be able to train people for any type of employment wherein various job opportunities are offered or available?

Secretary HODGSON. The important thing is are there reasonable opportunities for a job and if there are, we ought to be able to provide training for them.

Senator HANSEN. Your answer to my question is "Yes" or "No"?

Secretary HODGSON. As I understand your question, the answer is "Yes."

Senator HANSEN. Thank you.

Now, I note according to the reports on the work incentive program, and I purposely broadened my question so as not to restrict it to this, but with respect to that, I am looking at the August 3, 1970, committee print on the reports of the work incentive program. I note that—

Mr. Rosow. What page, sir?

Senator HANSEN. I refer to page 80. I am looking at the white book, table 84 on page 80.

Secretary HODGSON. The occupational breakdown table is the one you have reference to?

Senator HANSEN. Yes. I notice of the total, the first line, employed WIN graduates, the number, 4,788. These are the employed WIN graduates between the dates of January 1, 1969, to January 31, 1970. Of that total, 4,788 graduates, only 36 were employed as machine sewing, nongarment operators, 0.8 of 1 percent.

I am further informed that this is one of the areas in which there is need for employees, that there is need in New York City, there is need in Philadelphia, and that despite this need, the Department of Labor has chosen not to commit any Federal funds for this type of training.

Now, I understand further that it is the testimony of the Department that you are prohibited by Federal law from committing funds to this sort of training program. Am I right about that?

Secretary HODGSON. I thought I just answered the question to the contrary. We are prohibited by certain Federal law from certain kinds of training, but not with regard to the WIN program, which I thought was your question.

Senator HANSEN. Well, my question was this: Is this prohibition on granting Federal training money a provision of any Federal law. That was the main question.

Secretary HODGSON. Yes and I said "Yes," it was.

Senator HANSEN. That was the one to which you responded "Yes?"

Secretary HODGSON. Yes.

Senator HANSEN. Well, we will be very much interested in having the specifics on the law. I am appalled to think that there would have been written in any Federal law a provision such as seems to prevent the Department from taking advantage of the great need that I understand exists for persons qualified as machine operators in the garment industry from filling or from attempting to fill that need from the rolls of the unemployed.

EFFECT OF IMPORTS ON THE JOB MARKET

Having made that comment, let me go on to a further point here. Let me repeat a question I asked Secretary Finch when he appeared before the committee in April.

Recognizing that we have had a rather substantial number of people employed in the United States in industries threatened by imports, and bearing in mind also the fact that there is a very significant market in this country for similar products manufactured abroad, my question is: Does the great disparity between wages paid by these industries in America and that which may be paid by industries in other countries concern you?

Secretary HODGSON. I believe that it has been the subject of not only concern to me, but to the administration. Of course, this is one of the reasons for the administration's recent stand on the textile matter that you are familiar with.

Senator HANSEN. Would it be your feeling that the administration's position with reference to the textile industry is sound?

Secretary HODGSON. We support it.

Senator HANSEN. Would that same philosophy, that same policy, be equally applicable to other industries if they were likewise threatened?

Secretary HODGSON. I think this is where you have to particularize each circumstance and examine each one of them. Obviously, that is the way the position was taken on textiles, by examining the individual industry; the relation of a circumstance in this country with other countries, the inflow into this country, the reasons for that inflow, what the effects of it were, the speed with which it was going forward. All of these ingredients had to be examined and the decision was made, yes, we ought to do something in this area. It is the same concept, of course, but that concept has to be applied individually. It can't have mass application.

Senator HANSEN. Mr. Secretary, I appreciate, as I am certain all Americans do, your expertise and broad familiarity with the area of people involved in jobs in America. Let me ask you, in order that I may have the benefit of your thinking, do you regard the concern of the shoe industry, of persons employed in the shoe industry, as being valid and one of rightful and proper concern as they contemplate this increasing inflow of foreign-manufactured shoes?

Secretary HODGSON. It is one of the industries we are studying. In fact, Assistant Secretary Rosow and I went to Boston earlier this month in order to gain greater familiarity with that problem.

Senator HANSEN. Do you view this import of products under conditions which are characterized by wages substantially lower than those that we find in this country as a threat to the type of full employment and to the type of wage levels that you would hope may come about if you are to achieve the goals I assume are in your mind as you present this bill?

Secretary HODGSON. Well, I think that we have to recognize that there are a complex set of propositions to balance in this matter. There are many jobs in this country that result from exports, a great number of them. If we get into a circumstance where we allow ourselves to consider kicking off what might be called a trade war, we will not necessarily be increasing the employment circumstances in this country, but it will have an adverse effect. So we have to be very selective and very careful about how we make our judgments in this area. We just can't get into a place where we change the entire world market in such a way that it has deleterious effects on those who are involved in exports, as well as protecting the imports. We think that one of the things that will be of utility in this area is the Trade Assistance Act, an applying of that, as it affects employees who are more obviously removed from employment because of foreign competition. We have supported that.

Senator HANSEN. I am very much interested in your responses, and I would like to explore them further at some later time. I will not do it now, but I do have some other questions that relate to some other subjects.

If I may, Mr. Chairman. Do I have a little time?
 Senator ANDERSON. Yes.

MINIMUM WAGE LAW

Senator HANSEN. Several weeks ago, Mr. Moynihan made some observations, made some specific references, I think with respect to people in the ghettos in this country, the socially underprivileged, those without jobs, to the effect that in his judgment, minimum wage laws militated against this type of person getting a job. Do you share his opinion?

Secretary HODGSON. No; I do not believe that you can say flatly that this is the case. This is a subject that has been studied and restudied. The Bureau of Labor Statistics examined the minimum wage law question and came up with somewhat inconclusive results. There appear to be some circumstances in which minimum wage laws affected job-getting.

I think it depends upon the level of the wage, the economic health of the respective communities in which it is applied, the trend of the economy during the time in which this subject is measured—things of this kind. I do not think you can make a flat pronouncement one way or the other.

Senator HANSEN. Would you say subsequently that the typical employer would have to be persuaded that he would gain more, that the total contribution that an employee could make to his profit-and-loss statement would be on the plus side before he would be inclined otherwise to hire a person to become part of his labor force?

Secretary HODGSON. It is a classical theory of wage economics, labor economics. It is certainly one feature and a very significant, persuasive one; yes.

Senator HANSEN. Do you think it is one that would motivate the typical employer, by far the largest percentage of employers in this country?

Secretary HODGSON. I do not know. There are some jobs that just need to be done. You pay whatever wage is necessary to get them done. So whether it is the largest number of jobs that the theory that is applicable to, I would say no question about that. But the exact proportion I am not sufficiently expert to make a judgment on that.

Senator HANSEN. Well, I grant that there are a lot of jobs that have to be done. Obviously, in order to find persons with skills to perform those jobs, wage levels are established. But as we look at the other side of the picture, those persons out of jobs, those persons with little skill, those persons that I suspect we all feel concerned for in trying to understand better how we might take advantage of the opportunities we have to upgrade their skills, to broaden their abilities so as to permit them to enter and to retain a place in the labor market—as we contemplate those persons, those persons generally unemployed, do you feel that the establishment of the minimum wage may tend to work against their chances of employment?

Secretary HODGSON. Only in a very limited way. I think the evidence we have presented as to the placement of the people under the JOBS program, under the WIN program, and other programs of that nature, show that the average placement is well above the level of the minimum wage. So it is not necessarily a broad limitation. It may apply narrowly.

Senator HANSEN. If you feel this would only have a very limited effect upon the employment of these people, and contemplating the fact that not only this administration but previous administrations have spoken about the poverty line in America, the poverty level, and expecting that programs might be instituted which would move those below the line above it, would you favor raising the minimum wage in this country in order more quickly to accomplish that transition from the wrong side of the poverty level to the right side of it?

Secretary HODGSON. I will make the same response to you that I made to Senator Long when he asked that question. It seems to us that we are talking about two different kinds of compensation systems, one that applies to welfare where the size of the family is the major determinant in what is needed and paid. The other applies to the private sector, where the amount of production in goods and services that a person turns out determines the rate, where people performing like work make like wages. So we have two different systems. Raising the minimum wage for a single person who is already, at \$1.60 an hour, well above the poverty line, does not do a thing for him. For a person with a large family, you can raise the minimum wage considerably and it still does not meet his needs, because he has additional mouths to feed and he needs that kind of support or supplement to handle that.

So we do not think, and I was very specific on this with the chairman, that an approach to the poverty question, to the welfare question, is through a change in the minimum wage.

Senator HANSEN. Well, I appreciate your response. Perhaps I misunderstood or incorrectly inferred what you meant to convey in the first response that you made. I thought it was to the effect that you did not see any particular broad relevance between the minimum wage and the employability of people who are presently unemployed. Was I right about that?

Secretary HODGSON. I would say that is a very inconclusive thing. I do not have any conclusive statement to make regarding that.

Senator HANSEN. I know we have a number of laws on our books today that are specific insofar as the employment of minors goes. Is it your feeling that it might be well as we contemplate the number of young people in society today who would, I think, be benefited by worthwhile employment, and yet, because of the application of our laws, are denied these opportunities, to consider a revision of some of the laws insofar as the employment of minors is concerned?

Secretary HODGSON. This is an intriguing subject to us. Those laws were passed at a time when the concern was for protecting young people from certain exposure in the world of work, that was considered to be adverse to their health. You can speculate now that maybe the circumstance has changed a great deal, that now one of the things that young people would profit by would be by more exposure to the world of work.

Senator HANSEN. And less exposure to the area of idleness. Would you not agree?

Secretary HODGSON. Exactly.

So one of the things that many States have been doing and we have been doing in the Labor Department is reviewing our child labor laws and seeing where we might want to make some adjustments in them, where the work could be done without exposing young people to physical or psychic damage. Over the past few years some changes have been made.

But I think we have to be very careful. These changes depend on how far you can go without actually placing young people in serious jeopardy of physical damage.

Senator HANSEN. I have just one other question and I may be—

Secretary HODGSON. Could I make one other comment on this subject?

Senator HANSEN. Yes.

Secretary HODGSON. There is another aspect to it. We certainly do not want to encourage young people to leave school to create more dropouts by these changes. So that has to be part of the balance.

Senator HANSEN. Anticipating, or without trying to anticipate what you may find in the way of prohibition on granting Federal training money to any sort of program, without yet knowing what may be found by you, may I ask you, would you recommend that if there is such a law—I have not found it and you say it exists—and I am not challenging that statement—if there is such a law, would you recommend that it be stricken from the books?

Secretary HODGSON. I think our intention on this subject is clear. Both in the Manpower Training Act and in this act, we have asked for noncategorical funding wherein we can determine what the need is and respond to that need and not do it in accordance with any prescribed, congressionally prescribed regulations.

Senator HANSEN. You are saying, in effect, that you would recommend it obviously?

Secretary HODGSON. We would like the flexibility.

Senator HANSEN. Thank you, Mr. Chairman.

Senator ANDERSON. Senator Byrd?

IMPLEMENTATION DATE OF THE BILL

Senator BYRD. Thank you, Mr. Chairman.

Mr. Secretary, Secretary Richardson said, when he appeared before the committee, that he thought it would be very difficult for his Department to implement this bill beginning July 1 of next year. This is the effective date of the bill.

When do you think the effective date should be set?

Secretary HODGSON. We are getting a bit uneasy about the passage of time and being faced with that July 1 date. We would be glad to work with this committee to set a date that seems realistic to both of us. We might try for July 1. We might also see fit jointly to set it at a somewhat later date, where we could accomplish the necessary preparatory activity to make sure it works from the outset.

Senator BYRD. The July 1 date appears to be rather an early date to effectively implement the new laws?

Secretary HODGSON. The more time passes, the more difficult it gets. If it were today, if the bill were going to pass today, we might go for July 1. That probably is not going to happen in the next few minutes.

THE WIN PROGRAM

Senator BYRD. Mr. Secretary, the House report praises the work incentive program for its use of the team concept in training programs. Would you explain what the team concept is and what its advantages are?

Secretary HODGSON. Well, I will let one of our administrators of the team concept tell you about it.

Mr. LOVELL. Senator, before we inaugurated the team concept, an individual wanting service would have to go two or three places and talk to two or three different people, often at different times, to get the services he needed. So we have developed a team composed of a counselor, a training expert, work experience expert, a coach, and a job developer. This team works with the individual, giving him the variety of services he needs. When you tie that into a program which allows you flexibility in the use of funds to provide a variety of services, we think this really represents the trend in manpower services for the future. We are very excited about it. As a matter of fact, we are extending it from the WIN program to other manpower efforts and indeed, throughout their whole employment service system.

Senator BYRD. When did you begin the team concept approach?

Mr. LOVELL. About 3 years ago.

Secretary HODGSON. It has been growing.

Mr. BROWN. A developing concept.

Senator BYRD. Thank you.

Mr. Secretary, the Auerbach Corp., which made an exhaustive study of the work incentive program, stated that the basic idea of WIN is workable, though some aspects of the legislation require modification.

Now, instead of modifying this legislation, H.R. 16311 would scrap the work incentive program completely and replace it with a new program. Why do you feel this is necessary?

Secretary HODGSON. Well, it may appear that that is what it does. From the standpoint of some of the basic concepts of the WIN program, it does not. The basic concepts of the WIN program involve taking a woman or a man on welfare, placing them in training, giving them a monthly stipend for training, providing them with services during the period of training, and referring them to appropriate jobs where they can utilize their new skills after training is completed. All of those concepts are in the family assistance plan program.

Now, we have modified, as the Auerbach report suggests, several of the features. Among those, of course, are the features that allow the States to have such wildly different judgments as to how much the WIN program should be utilized and to make more sure provisions for child care and things of this kind.

So we feel that the fundamental concepts of WIN, the useful concepts, are retained in FAP. But we have had to remove some of the barriers that made WIN difficult to succeed, and we have added some things that will insure greater success under the family assistance plan.

So we think, as I mentioned earlier, this experience we have had under WIN gives us a real leg up on the chances for success.

Senator BYRD. The Auerbach Corp. states that one of the main problems in getting jobs for WIN trainees is transportation. What is being done about this crucial phase of the program?

Secretary HODGSON. Under our proposal, we will pay transportation expenses for WIN enrollees. That was one of the difficulties. Sometimes a woman had neither child care nor transportation. Well, now we will be able to provide both of those.

Senator BYRD. So you will provide the cost of transportation for all of those who participate in that training program?

Secretary HODGSON. The enrollees; that is right, sir.

Senator BYRD. Mr. Secretary, of the 48,500 persons who have dropped out of the WIN program by March 1970, your statistics show that three-quarters of them dropped out "for good cause." Would you explain what you consider a suitable cause for dropping out of the program?

Secretary HODGSON. Yes, sir. This is normally what would be considered good cause by an industrial employer when an employee leaves his position. He did not leave because he was mad, because he was dissatisfied with the job, because the work was misrepresented to him at the outset, or anything like that. It is for entering the armed services, for taking another job, for any number of kinds of reasons that cause normal turnover. I will let Mr. Lovell elaborate on these reasons.

Mr. LOVELL. Well, illness is probably one of the major reasons; 14 percent of the people who have dropped out drop out for that reason.

Lack of child care. We think under the family assistance plan, we will eliminate that, since it will be 100 percent federally financed.

Secretary HODGSON. And people moving out of the area, too.

Mr. LOVELL. People moving out of the area represent almost 11 percent of the dropouts.

Senator BYRD. Is that figure of 75 percent not quite high?

Mr. LOVELL. Seventy-five percent of the dropouts have been for reasons that have been judged to be legitimate. We are encouraged by that, that more do not drop out because of being discouraged with the program because of their lack—

Secretary HODGSON. I think we ought to clarify it in this way, Senator. The dropout rate in the program itself is about a third. Of those who drop out, most of them are for what is considered good cause.

Mr. LOVELL. Seventy-five percent.

Senator BYRD. That clarifies it. Thank you.

TREATMENT OF INCOME TAX ON WELFARE RECIPIENTS

Now, on page 7 of your statement of the other day, Mr. Secretary, you said: "The combined tax on the Federal allowance and the State supplement is limited to 67 percent."

Would you explain what you mean by the combined tax?

Secretary HODGSON. Well, this term "tax" has become a term that has been used in connection with this program. I must say I do not look at it as a tax.

Senator BYRD. I agree with you. I think it is—

Secretary HODGSON. Combined reduction would be a more appropriate term, but since the previous developers of this plan, the Senators who have discussed it, and the previous testimony talked in terms of "tax," it becomes kind of a useful word of art in this case. But it really means reduction.

Senator BYRD. On that same page, you say that "Earned income is now defined to exclude Federal income taxes. This will lower the marginal tax rate somewhat in the better income brackets of the eligible population."

Would you explain?

Secretary HODGSON. I think Mr. Rosow can answer that better than I can.

Mr. Rosow. Senator Byrd, in the earlier hearings before this committee, the committee was properly critical of some of the notch problems and disincentives present in the program and instructed the Department witnesses to reexamine the incentive question.

We found that in a couple of the cities selected by the committee—Phoenix, Wilmington, Chicago, and New York—it was impossible to completely eliminate the entire notch problem without addressing ourselves to the fact that the imposition of Federal taxation resulted in a notch or, namely, a slight reduction of income in going from one wage level to the next wage level. The only possible way that we felt we could correct that was to recognize that if we were going to impose the Federal income tax on earnings of people who are trying to work themselves off of welfare, and at the same time reduce FAP benefits by counting the Federal tax paid as earnings, we might be acting in a counterproductive manner; namely, that this would create a disincentive to keep working and get off welfare.

There it seemed to us we would be robbing Peter to pay Paul, in a sense.

Senator BYRD. Can you change income tax laws?

Mr. Rosow. No, it is merely an administrative device whereby, as the Secretary said earlier, there is less of a reduction of the flow of the welfare payments. The welfare payment would be adjusted so as not to deduct the income used to make a tax payment. It would not change the tax laws.

Senator BYRD. What you are doing, then, is having the program, the welfare program, pay the tax for the individual, which he normally would pay?

Mr. Rosow. Part of it indirectly, Senator; that is right—in the sense that FAP will now be reduced less than otherwise. But the person still pays his full Federal income tax on earnings.

Secretary HODGSON. This is a device, Senator, that is used in such programs in the private sector as supplement unemployment benefits, where the percentage paid is a percentage not of the total income that the person has as his base rate, but a percentage of his net income.

Senator BYRD. This would be a new concept, though.

Secretary HODGSON. I am not sure whether it has been used before or not.

Senator BYRD. You have no knowledge that it has been used before?

Secretary HODGSON. Not personally; no.

Senator BYRD. Why would that stop a person earning \$6,000, for example—would that individual have his payments supplemented by the extent or part of the extent of his taxation?

Mr. Rosow. It would not be eligible at the higher level of earnings, Senator, because it would be out of the system. It is only when he is receiving either a Federal or a—

Senator BYRD. It would in New York State, for example?

Mr. Rosow. In a large family; yes, sir.

Senator BYRD. That is what I am speaking of.

Mr. Rosow. Yes, sir. It would depend on where that person reaches a break-even point. As long as they are below the break-even point, receiving some assistance, they would receive this treatment.

But I should explain that it is really not a full dollar-for-dollar credit; it works out at a 50-percent credit. We are taking away earned income at 50 percent, not 100 percent. So the forgiveness is at a rate of 50 percent.

Senator BYRD. It is a rebate of the tax; is that not what it is?

Mr. Rosow. He pays his full tax, but his FAP is not reduced. So he keeps more than under the House bill, an amount equal to one-half of the tax he pays.

Senator BYRD. In certain brackets it would be more than 50 percent; would it not?

Mr. Rosow. No; since it is a rate at which we reduce the family assistance payment that is involved here. The law provides that that be reduced at the rate of 50 percent for every dollar of earnings above \$720. Therefore, if Federal taxes are, let us say \$100 directly, as a result of entering the Federal tax structure, then \$50 would be retained in the FAP payment over what is provided in the House passed bill.

But it is a 50-percent effect because we are only taking the payment downward at 50 percent of the earned income rate, not 100 percent, in the law prior to the 1967 amendments. We can provide an explanation for the record to show how that works, Senator.

Senator BYRD. I think that would be helpful.

(The following was subsequently submitted:)

In the House passed bill, Family Assistance benefits were computed on gross earnings. In the revised bill, the calculation would be based on earnings net to Federal income taxes. The result is that the amount paid in Federal taxes will not be used to reduce Family Assistance benefits. For example, under the House passed bill, a man who paid \$300 in taxes would have his F.A.P. benefit reduced by half that amount, or \$150. Since the \$300 would not be counted as earned income under the revision, the individual will retain \$150 more in F.A.P. benefits than under the House passed bill. The effect is to increase financial incentives to work.

Senator BYRD. Do you have any figures showing how many individuals would have their income taxes or part of their income taxes paid by the welfare program under this?

Mr. Rosow. HEW is doing a new estimate on this, Senator, for the committee on the effect of this and the cost of this.

Senator BYRD. I think that would be quite helpful. I cannot say categorically that is a new concept in the Government, but I am inclined to think that it is.

Secretary HODGSON. Well, as you can see, we can speak more meaningfully on the work aspects of this than we can on the tax aspects, so I hope that the submission by HEW is a clarifying document.

Senator BYRD. Thank you.

PENALTIES FOR REFUSAL TO ACCEPT WORK

Now, one further question: In your statement, also on page 7, you say "A strengthened work test, with increased financial penalties for refusal to accept work."

Would you give a few examples of the increased financial penalties for refusing to accept work?

Secretary HODGSON. Well, first of all, as you know, the work test involves mandatory registration. It eliminates the present discretion that exists under the WIN program for registering.

And a Federal interpretation of who is exempt eliminates the role of the social workers in the State welfare agencies in determining this work test. These are a couple of things the law does.

I should clear up the confusion of responsibility for applying the work test penalty. The Department of Labor decides who has refused work. After such a decision a reduction in payment is automatic.

The registration requirement coupled with the annual reporting to Congress, establishes an accountability for the program's success.

Finally, the work test seems to balance rights and responsibilities in an income maintenance program. The important thing is that the Department of Labor is the determinant in deciding who refuses to work and who does not. After that decision reduction is automatic.

Senator BYRD. The maximum reduction is \$500?

Secretary HODGSON. \$500, raised from the original proposed \$300 by the House Ways and Means Committee.

Senator BYRD. And that is the maximum?

Secretary HODGSON. That is correct.

Senator MILLER. Would the Senator yield at that point?

Senator BYRD. I am glad to yield to the Senator from Iowa.

Senator MILLER. I understand that this \$500 reduction will be made in the family assistance plan allowance. But I also understand that when that happens, the food stamp bonus would go up by \$159, and the rent required for public housing would go down \$500.

So that the family's, in the case of a four-person family unit, actual net loss of benefits would not be \$500, but only \$241.

Mr. ROSOW. May I respond to that, Senator Miller?

Senator MILLER. Yes.

Mr. ROSOW. You are probably correct on the in-kind payments, because as you know, the tax is a function of income at the rate at which those in-kind payments would be taxed. So the income is reduced for the family by the absence of payment of the first dollar.

On the other hand, this committee, in discussing this problem with Secretary Richardson earlier, pointed out the question and brought to the attention of the administration, with proper effect, that there was nothing in the law as submitted to take care of the State treatment or State supplementation in the event of failure to comply with the work requirement.

Now, what you are suggesting is that the administration incorporate language, working with your staff, to also reduce the cash State supplement portion of \$500 which comes to that family, which would further increase the cash penalty for noncompliance with the work requirement.

Senator MILLER. I received a very favorable response from Secretary Richardson on that point.

Secretary HODGSON. We join him in his view of it.

Senator MILLER. But at the time that I made the point, I was not aware of this impact on the food stamps and public housing.

I am wondering why we did not do something there, too?

Mr. Rosow. I think it would be appropriate, Senator, with your permission, for us to draw that to Secretary Richardson's attention, have the administration discuss it further, and work with your staff toward a solution to that.

Senator MILLER. I would appreciate it.

(The following was subsequently submitted:)

The impact of the \$500 cash penalty for refusal to work is undercut by a concomitant increase in in-kind benefits. As cash income decreases, the amount of food stamp and rent subsidy automatically increases (although the rent required for public housing would not go down by \$500 in case of a \$500 drop in cash income as the Senator suggested).

The Administration is sympathetic to the Senator's desire to mesh the effect of the work requirement sanction with other programs such as food stamps and public housing. We would agree that a reduction of the cash benefits should not be replaced by increases in in-kind benefits. What is in question is that definition of income for purposes of the public housing and food stamp laws, and that best can be handled through amendment to those other pieces of legislation.

Mr. Rosow. The House food stamp bill, as you know, Senator, does have a strong work requirement with regard to the food stamp eligibility.

Senator MILLER. My only point was that we were trying at the time Secretary Richardson was here to keep this reduction in the family assistance plan on a comparable basis with the State supplements.

Secretary HODGSON. We want to make it meaningful.

Senator MILLER. Now, it seems to me that we had better take a look at these other programs so that they are all in a line and do not have one going in one direction and another one in another direction.

Secretary HODGSON. The purpose is to make a meaningful penalty, as I gather what your concern is. It is our concern too.

Senator MILLER. That is right. It just does not seem to me to add up to come along and say, "We are going to reduce your family assistance plan and your State supplements, but we are going to increase your food stamps and your public housing."

Secretary HODGSON. We shall have to give it some thought.

Senator HANSEN. Would the Senator yield at that point?

Senator BYRD. Yes, I yield to the Senator from Wyoming.

Senator HANSEN. You spoke about a meaningful penalty. It is my understanding that between July 1968 and December 1969, there were some 8,100 persons who refused, without good cause to participate in the WIN program. Yet of that 8,100 persons, only 200 were terminated by the AFDC for their refusal to participate without good cause.

Is this the sort of response in so far as penalty goes, that, in your judgment, is adequate?

Secretary HODGSON. You can see that is one of the reasons we wanted to eliminate the discretion which now exists for State welfare agencies.

Senator HANSEN. Thank you, Mr. Secretary.

Senator BYRD. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Senator TALMADGE (now presiding). Senator Curtis.

THE WIN PROGRAM

Senator CURTIS. Mr. Secretary, the fact has been referred to that the WIN program does not work as well as it might because of the lack of participation by the States. My question is: What State has done a good job under the WIN program?

Secretary HODGSON. One of the criteria, of course, that we use in that is the referral of welfare people for WIN training.

Utah, for instance, has referred 96 percent. We would have to say that is a pretty commendable performance on their part. So from that standpoint, Utah would be one, and perhaps some others.

I shall let Assistant Secretary Lovell respond further with regard to this.

Mr. LOVELL. We think California has done a pretty good job, too. They have referred a great number of people, they have organized their facilities well. We are quite satisfied with that.

New York has, after a slow start, come along quite well. Originally they only referred a very few, I think about 6 percent of the people. That logjam was broken and more are now being referred.

Now, currently, we are experiencing quite a problem in a great number of States because of the inability of the States to meet the 20 percent matching.

Senator CURTIS. If this House bill is enacted, the States will not have to match it.

Secretary HODGSON. That is correct—not 20 percent but only 10. It eases their problem.

And by the way, this matching need not be in dollars but in such things as facilities. This eases their problems further.

Senator CURTIS. But they are required to continue their State supplementation?

Secretary HODGSON. That is right.

Senator CURTIS. And they are required to provide that State supplement for new beneficiaries?

Mr. ROSOW. Not for the working poor, Senator Curtis. There is no requirement in the law for State supplementation of payment for the new beneficiaries.

Senator CURTIS. I mean where they are required to continue the State supplement, they must continue it for new beneficiaries.

Secretary HODGSON. Their present kind and nature of supplement must be continued for new beneficiaries that qualify under the old categories, yes.

Senator CURTIS. At the present level?

Secretary HODGSON. The then existing level.

Senator CURTIS. When that happens, will the State have any voice in determining who becomes a beneficiary?

Mr. Rosow. I would have to answer that, Senator Curtis, this way:

As you know, the new bill establishes national eligibility requirements and standards which will be administered by HEW in the new bureau, probably the Family Assistance Bureau. I think that there would be an assumption here that there would be constant consultation between the States and the Federal Government on how these standards are being interpreted and administered.

But in effect, the intent of the bill as written is that when the Federal Government determines the family to be eligible, they would in effect determine that eligibility both for the Federal Government payment and the State supplement.

In fact, because of that assumption, the law provides, as you know, for administration by the Federal Government of both programs at no cost to the States.

To answer your question simply, it is at the Federal level as the law is written.

Secretary HODGSON. Further, I would say, though, Senator, I think the Labor Department is getting a little out of its water when it talks about eligibility. This is in the HEW area, rather than our part of the component.

Senator CURTIS. Your answer is it would be limited to consultation and so on?

Secretary HODGSON. That is our understanding.

Senator CURTIS. The State legislature would not be in a position to do anything about it?

Secretary HODGSON. I really think you ought to address questions of this kind to the Secretary of HEW.

Senator CURTIS. Very well.

COMPREHENSIVE MANPOWER LEGISLATION

Is not the proposal referred to as comprehensive manpower legislation being currently considered by the Labor and Public Welfare Committee?

Secretary HODGSON. That is correct.

Senator CURTIS. How will WIN mesh with these other manpower programs?

Secretary HODGSON. Well, first of all, the great boon of the comprehensive manpower program under the Manpower Training Act would be that it would be noncategorized. So there is not a meshing problem in the way that we are proposing. We will be able to determine what the need is and administer under that need in a flexible fashion. As a result, we do not have severe interrelating and meshing problems. It is one of the reasons that we are proposing that this committee not categorize the various different kinds of possible programs which we might undertake and set aside or allocate or earmark certain funds for those.

This flexibility is a desirable thing from our standpoint. It is a desirable thing for meeting local needs.

Senator CURTIS. What are these other manpower programs, training programs, that have been in existence up to the present?

Secretary HODGSON. Well, they started back with the institutional training under the Manpower Development and Training Act. We have on-the-job training, we have the JOBS program, that is run in conjunction with the National Alliance of Businessmen.

We have Operation Mainstream. I shall let Assistant Secretary Lovell carry on from there.

Mr. LOVELL. Manpower programs fall into two basic categories, those authorized by the Manpower Development and Training Act and those authorized by the Economic Opportunity Act. In the latter, the Neighborhood Youth Corps programs, the summer and in-school and out-of-school programs, the New Careers programs, Operation Mainstream.

Then what we call our CEP program, concentrated employment program, not too dissimilar from WIN, is operated jointly by the community action agencies and the employment service in a number of the larger cities, and some rural areas.

The JOBS program, which the Secretary has mentioned, is one of our more successful ones. We start off with a job and we have over 200,000 people who are currently employed as a result of this program.

Then we have a variety of institutional training programs under MDTA that provides institutional training for the Job Corps people.

TRAINING OF AFDC RECIPIENTS

Senator CURTIS. How many AFDC recipients are currently enrolled in these programs?

Mr. LOVELL. It varies from program to program. I would say it averages around 13 percent. In the Neighborhood Youth Corps, it ranges around 30 percent.

Senator CURTIS. Thirteen percent of the number of AFDC recipients?

Mr. LOVELL. No, of the total of people participating in the program. The institutional program is 13 percent; it is 30 percent in the Neighborhood Youth Corps; it is 35 percent in New Careers; it is 10 percent in the JOBS program.

Senator CURTIS. How many of those recipients were able to leave the AFDC rolls by reason of this training?

Mr. LOVELL. We do not have that figure, Senator. The largest portion are youth that are in the Neighborhood Youth Corps, in-school and in the summer program. Of course, this would provide some additional income for the family, but probably would not provide adequate income for the family to leave the welfare rolls.

Senator CURTIS. They might not be the head of the family?

Mr. LOVELL. No; it would not be in the youth program, Senator.

Senator CURTIS. How many AFDC recipients would you estimate are actually being trained in these programs today?

Mr. ROSOW. Around 200,000.

Secretary HODGSON. Do you want that by programs, Senator, or just generally?

Senator CURTIS. No.

Mr. LOVELL. I think the overall number could be probably 100,000 to 150,000. But that would be warped by the number of youths who are in the summer programs for 10 weeks. Really, it is a person par-

ticipating, but it is not in a major way, so the figure would be warped.

Senator CURTIS. Do you have an estimate as to how many of the AFDC recipients who are parents are being trained in these programs?

Mr. LOVELL. I would say about 25,000 adults. That is a rough, top-of-the-head figure. But it is not too far off. And it is exclusive of WIN.

Senator CURTIS. On balance, which have been your most successful trainees in the WIN program, AFDC fathers, mothers, or youths?

Mr. LOVELL. I do not have that breakdown in front of me. I really think it is probably a little early to make a judgment. But let me say in general, in all our manpower programs, the people under 30 are apt to respond more rapidly and gain the greatest benefit—men or women.

I would assume that this would be true in the WIN program, as well.

Mr. Rosow. We do have an analysis of 1968 enrollees, Senator Curtis, and we do not find a marked difference between female or male achievements. They both do about as well, and they do almost as well as all of our basic training programs for the manpower trainees who do not come off of public assistance rolls.

In other words, we just made a new computer analysis of the 1968 reports. For those people who completed training, who came from the public assistance rolls, and those people who completed training who did not come from the public assistance rolls, we found just a few cents difference in wage results, and very little difference in their participation in the labor force.

Senator CURTIS. Are any AFDC mothers being trained to be aides for day care centers?

Mr. LOVELL. Yes. We feel that if the Family Assistance Act passes, many of the day care centers will need help of this kind. We can imagine that many of the mothers and other young females would participate in this. It is a very good source of people for day care.

Secretary HODGSON. Clearly, this is one of our first areas of emphasis.

Senator CURTIS. They could take over the major jobs, could they not?

Secretary HODGSON. There would be a great boon for it, yes.

Senator CURTIS. And the welfare recipient?

Secretary HODGSON. What we like about this is that it has the dovetailing effect. It helps both ways.

LACK OF STATE FUNDS AFFECTING WIN PROGRAM

Senator CURTIS. In your annual report, there is this statement, that the lack of funds in some States restricts WIN's capability to allocate program resources to areas of greatest need.

Precisely in which States have such a lack of funds resulted in Federal funds going unused?

Secretary HODGSON. Do we have information at this point that we can give on that?

Mr. LOVELL. One of the problems we have had in the transfer of funds between States because of the requirement of matching. We have been able to move money within a State, but when you do it between States you cannot, of course, move the State matching.

Secretary HODGSON. As I understand the Senator's question, though, it is which States are not matching and, as a result, limiting our participation in those States?

I believe we are going to have to get you that information for the record.

Mr. LOVELL. All States except New Hampshire have come up with some program.

Mr. Rosow. Kentucky and New Mexico are two States that we have had a real problem in. However, it might be well to state, Senator Curtis, that one impediment that has been rather indigenous has been the high cost of child care matching, which is 25 percent.

With the States' general fiscal problems, this has been a real impediment which would be removed by this bill.

(The following was subsequently submitted:)

STATES WHERE FISCAL YEAR 1971 WIN EXPANSION IS RESTRICTED BY LACK OF
NON-FEDERAL MATCHING

1. Alabama	8. Kansas	15. North Carolina
2. Arizona	9. Kentucky	16. South Carolina
3. California	10. Missouri	17. Tennessee
4. Florida	11. Mississippi	18. Utah
5. Georgia	12. Nebraska	19. Wyoming
6. Iowa	13. New Mexico	
7. Idaho	14. New Jersey	

ON-THE-JOB TRAINING

Senator CURTIS. Mr. Secretary, the on-the-job training projects have not been very great in number. I notice that in fiscal year 1969, \$22 million were appropriated for on-the-job training, while less than \$1 million was used.

For fiscal 1970, \$13 million was appropriated and less than \$1 million used.

What has been the problem?

Secretary HODGSON. Well, for one thing, the area that we have given so much emphasis and had what we considered to be such signal success in JOBS program, with the National Alliance of Businessmen, is an on-the-job program. It is a program that starts with a job. It just does not happen to be titled to indicate on-the-job training under the line item that you mentioned.

With regard to on-the-job training outside of the JOBS program, we are very dissatisfied with that level, and we are intent on increasing it. But we want to point out that on-the-job training as a device for moving people from disadvantaged or welfare circumstances, into the world of work is a very useful technique, and the JOBS program has proven it.

Senator CURTIS. We are repeatedly told that one of the great reasons for reform is because of the many problems in the AFDC program. There were not many AFDC recipients—I am referring to the parents, heads of the families—who participated in this JOBS program.

Secretary HODGSON. About 10 percent.

Senator CURTIS. Ten percent of the total number of participants?

Secretary HODGSON. Right.

Senator CURTIS. How many participants?

Secretary HODGSON. There are around 450,000 that have participated in the program.

Mr. LOVELL. We have about 46,000 people that are currently working on contracts with the private sector. We do not have the records of how many people that the companies are handling for free have been on welfare. But I am sure it is a large number.

Secretary HODGSON. I think we had better clarify that for the Senator.

There are two aspects of the JOBS program, one where the company that hires a person does not get any support from the Federal Government, does this all on its own, and thereby we do not have the same kind of followup information as to the composition of who those people are, in the same detail to their composition and their placement that we do with regard to the other category, which constitutes only about one-third of the JOBS placements.

That is the category that is supported by partial Federal Government payment. It is in that category where we are talking about the 10 percent that are on welfare.

So we really are not able to say what the total numbers would be, or even accurately what the total proportion would be.

But on the portion that we follow and that we provide supplementary payments for, the 10-percent figure is accurate.

JOB BANK PROGRAM

Senator CURTIS. Mr. Secretary, would you please describe what your job bank programs is and how it will work in connection with the bill before us?

Secretary HODGSON. Yes. About 18 months ago, a job bank on an experimental basis was established in the metropolitan area of Baltimore to provide a listing each month of the jobs available in that city, as indicated by a listing of those jobs by the employers of that city with the U.S. Employment Service.

This is the way this program works: The employers call into the U.S. Employment Service a list of their openings. These are put into the computer and a printout comes out the next morning.

That printout is available in the Employment Service offices in that metropolitan area. By referring to this printout, either an applicant or an employment placement counsellor can see where the openings are and can then make a judgment as to anybody who is available for referral or for placement to where he might be able to find a job.

It does, really, two things: It centralizes this kind of information in one place and it speeds it up. As you can imagine, a job is a quite perishable thing. A job that is open today may be filled by somebody else, and by the time that a traditional kind of listing arrangement transpires, the job is no longer open, by the time the applicant gets there.

This assures currency of job opening availability to the employee. It speeds it from the standpoint of the employer. It brings together the employee who is in the U.S. Employment Service for referral, and the information he needs to know with regard to where the job opening may be.

It is a service both to employers and employees.

We are pleased with the way it worked there, so we started expanding. We have, at the present time, established job banks in 46 cities in the Nation. We have the intention to establish 55 by the end of the year. By the time this program goes into effect, we hope to have 80 and more or less blanket the major metropolitan areas of the country, certainly covering the vast proportion of employment or the labor market centers of the Nation.

Senator CURTIS. Have you been able to measure its value?

Secretary HODGSON. We have been doing some of that but as you can see, it is quite new. What measures we have are very positive in their results.

One of the principal, almost bonus features of this in the city of Baltimore, where it has been in effect, is that it has doubled the number of placements of disadvantaged people.

We did not exactly expect that this might be the circumstance, but it has proven very useful for that. We have great hopes for it.

Senator CURTIS. Now, that is operating under existing law?

Secretary HODGSON. That is operating under existing law. It really will be a beneficial thing. One of the reasons we feel we can do a job under this program is because we are going to have that device available.

Senator CURTIS. Who can avail themselves of the benefit of this service?

Secretary HODGSON. Every employer in the country who wishes to list a job with the employment service, and any person employed or unemployed who wishes to contact the employment service for a placement.

Is that right?

Mr. LOVELL. That is right.

Senator CURTIS. Where is it available?

Secretary HODGSON. At the U.S. Employment Service office in the cities where those job bank computerized systems have been established.

Senator CURTIS. So that is available for all persons?

Secretary HODGSON. That is correct.

Senator CURTIS. And if we get the new legislation?

Secretary HODGSON. That is right.

Senator CURTIS. So an individual on a low-paying job can avail himself of that job bank without becoming a beneficiary of any welfare plan?

Secretary HODGSON. That is very true. That is an employment service available broadly.

Senator CURTIS. Have you done anything about eliminating all the paperwork for somebody to get a job?

Secretary HODGSON. That is one of the great things this does. He does not need to have—

Senator CURTIS. I mean after you connect him up with a job? I shall just take a couple of minutes to tell you what actually happened.

Secretary HODGSON. I know, Senator. I used to have 19 forms in the firm I worked with that an employee had to sign when he came to work.

Senator CURTIS. One of the largest companies in the United States decided that they had an obligation to do something about providing jobs for the hard-core unemployed.

So the top officials—I got this story from the chairman of the board, who had been president at the time this happened. The top officials interested themselves. They found that someone who had never had a job, they were probably on some sort of relief, perhaps the parents had been, was frightened by all the forms to fill out.

They were given forms—not only, what is your name and all that, but where did you work last and why did you leave; where did you work before that.

Give the dates, a lot of other material. Before they got a fourth of the way down the page, the person was embarrassed, felt inadequate, so they went on being unemployed.

This company just skipped the paperwork. They went to various places, where men were located who were sitting around not working, asking if they would like a job, tell them what the pay is. They would get a response. They would say, all right, there will be a station wagon to pick you up tomorrow morning at such and such a time. They took them out and put them to work, put tools in their hands and told them what to do.

These men were delighted. They responded to the training as well as any of the other recruits. But they were headed in the direction of being the third generation on welfare because of the flood of papers that have been built up to keep the personnel divisions in our great businesses in operation.

Then, at a later time the company took them around to the office and got such information as was necessary for tax and social security purposes.

Secretary HODGSON. This is what I was referring to yesterday about learning to work with this group of people, learning to understand their problems, and realizing that you have to give them a different kind of attention than you do the normal job applicant.

One of the great joys, it seems to me, of the current scene with regard to this circumstance is the extent to which so many companies in the private sector have been willing to experiment, to try a new thing, like this circumstance that you mentioned. It flies in the face of everything every professional employment man ever heard of, but to try it and see if it works—we are going to have to learn to do things new ways to bring in some of these categories of people.

Senator CURTIS. That is why I was interested in your account about the job bank. I just think this country would make a terrible error if they did not, if we did not center our major attention on more realistic training programs and putting individuals to work, instead of making it possible for the number of welfare recipients to increase, as the House-passed bill will.

Secretary HODGSON. You can look at it from another point. One thing the mechanism like the job bank does is help speed getting people off these rolls.

Senator CURTIS. But you are not getting them off welfare. You are increasing the number of recipients in my State by 285 percent. I am afraid that too many people who have built up that pile of paperwork have had too great a hand in carrying out the desire expressed by the President, which I endorse wholeheartedly. I think this bill has missed the mark.

That is all.

Senator TALMADGE. Senator Hansen wanted to ask one question, Mr. Secretary. At the time that he completes it, if it is convenient with you, we will recess until next Tuesday at 10 a.m. Will that be agreeable to you?

Secretary HODGSON. I am going to be front and center in Dallas on Tuesday of next week. If we could arrange another time, I would appreciate it.

Senator TALMADGE. When can you be here?

Secretary HODGSON. Thursday and Friday.

Senator TALMADGE. All right. We will go over until Thursday, then, Mr. Secretary.

Senator Hansen?

Senator HANSEN. Thank you very much, Mr. Chairman.

REFUSAL TO PARTICIPATE IN WIN PROGRAMS

Earlier, Mr. Chairman, you will recall that I made reference to the fact that between the dates of July 1968 and December 1969 of the 8,100 persons who refused without cause, without good cause, to participate in the WIN program, only 200 were terminated because of refusal to participate. I believe it may have been Assistant Secretary Lovell or you who responded that that was one of the reasons you would like to have the Federal authority and take this arbitrary authority away from the States, if I understood you correctly.

Secretary HODGSON. I think you can achieve greater uniformity that way and apply what we consider to be a strong work requirement and a penalty for not accepting that strong requirement. That is the only way I can see it can be accomplished.

Senator HANSEN. Now, it is my understanding that under section 433(g) of the Social Security Act, the Secretary is required to notify the State welfare agency whenever an individual referred to WIN refuses, without good cause, to participate in a project under WIN or accept employment. The welfare agency is required under the Social Security Act, section 402(a) (196), to terminate the individual's share of the welfare payment and to make protective payment to the children in the family.

My question is: What reason is there for the committee to believe the Department of Labor would enforce a new Federal law removing qualified people unwilling to train or work from the welfare rolls any more enthusiastically than has been your enforcement of the present Federal law?

Secretary HODGSON. The Labor Department has not enforced this. We have announced intention to this committee to change the nature of the enforcement and the effectiveness of it.

Senator HANSEN. I recognize that, obviously, the Labor Department has not enforced it. You have cut off fewer than 2½ percent.

Secretary HODGSON. It is not our responsibility, Senator.

Senator HANSEN. Well, now, it may be that it is not, but if I may read again, I thought that—

Secretary HODGSON. We have nothing to do with that.

Senator HANSEN. Let me read this once again. [Reads:]

Section 433(g) of the Social Security Act requires the Secretary of Labor to notify State welfare agencies—

Secretary HODGSON. We do. All we do is notify them of who refuses.

Senator HANSEN. Then I understand further that the welfare agencies are required under the Social Security Act—and I referred to the specific number—to terminate.

Secretary HODGSON. But that is not us. We just tell them who refused and they take it from there.

Senator HANSEN. What you are saying, then, is that the social security agency has refused to act?

Mr. ROSOW. Senator Hansen, what actually has been happening is this: The Secretary of Labor notifies the State welfare department that someone fails to cooperate with the program.

What frequently happens is that the agency that referred the person as an appropriate person for work or training takes another look at the case and makes a ruling that the person was not appropriate in the first place. That is used as a reason for not discontinuing the payment.

This is a problem that the HEW also has been having with the States, because the law provides that this interpretation is made by the State welfare department, and they are taking a very lax approach to this problem.

Under the new law, as Secretary Hodgson has pointed out, the intent of the House, and the intent of this committee is to remove that responsibility to the Secretary of Labor, and if it is a work-associated question, that person would be held as not cooperating.

There would be a hearing period of 90 days, at the end of which the payment would be discontinued. The Secretary of Labor, through the employment service, would so advise HEW. They would make no determination in the case. They would merely discontinue the payment.

Senator HANSEN. Well, it seems rather strange to me that we have Federal laws—and I will grant you your point that it is not the responsibility of the Department of Labor necessarily to enforce the applicable Federal law of the Social Security Act, but here we have two agencies of Government working together that I assume do have this authority. Yet with that authority, the results that they have been able to demonstrate represent a dismal less than 2.5 percent. Now, that sort of record certainly does not encourage or incline me to believe that any Federal agency is going to be any more enthusiastic about cutting people off of welfare than has already been demonstrated.

And I would like, if I could, to receive some positive encouragement from you that it will be your intention and followthrough to see that people do obey Federal law, or they are penalized according to Federal law.

Could you give me that assurance?

Secretary HODGSON. We believe we gave not only that assurance, but asserted that quite strongly in our statement, in every answer that I have tried to respond on that or similar questions from this group of Senators. I have tried to indicate that we believe this is a new ball game, that we are going to make this meaningful, and that we plan to handle the work requirement problem in the tight manner that we gather this committee is interested in.

Senator HANSEN. And it would be fair to say, then, that you feel that not only will this be the attitude of the Department of Labor, but

it will likewise be the attitude of other Federal departments, that they will cooperate with you as they have not in the past in seeing that Federal law is enforced?

Secretary HODGSON. It is our responsibility now, so it is clearly ours.

Senator HANSEN. Be your exclusive responsibility?

Secretary HODGSON. In making a determination.

Senator HANSEN. And you feel that other agencies of the Government have been unable to do it?

Secretary HODGSON. That is the express determination of this committee.

Mr. Rosow. We have evidence to that effect because the Labor Department actually stated that 12,800 WIN recipients had dropped out with good cause, but the States, in applying that, have only taken a small proportion off the welfare rolls.

Senator HANSEN. I am talking about those who did not drop out with good cause; I am talking about those without good cause.

Mr. Rosow. I am sorry; I meant to say without good cause; 12,800 dropped out, according to our record, without good cause. But the lag between that and the State action is quite substantial.

Secretary HODGSON. There is another thing that is going to help in this. Under FAP we have a definition that is much clearer and has fewer loopholes than the definition under which the States and the HEW will now operate. That is going to help a great deal.

Senator HANSEN. Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. TALMADGE. Mr. Secretary, Senator Miller had a couple of questions and, in view of the fact that you cannot come back until next Thursday, he should proceed to answer them. At the time Senator Miller finishes his interrogation, we will stand in recess until next Thursday.

Senator MILLER. Thank you, Mr. Chairman.

Secretary HODGSON, I just want to probe a little bit further on this thing Senator Hansen was talking about. My understanding of the present situation is that whereas there were a very substantial number of persons refusing without good cause to participate or continue in the WIN program, and although your Department notified the State agencies, because of laxity on the part of the State agencies, nothing substantial was done.

That was my understanding of your response.

Secretary HODGSON. Well, the figures themselves indicate how little was done.

Senator MILLER. But the main point of your answer was that this was due to laxity in the State agency.

Secretary HODGSON. Well, laxity or the inconclusive nature of the definition they were acting under, both of which we are tightening up, I think.

Senator MILLER. Well, I do not know whether you could call it laxity or not. This looks like laxity to me. In any event, are you saying the Federal Government is powerless to do something about the situation?

Secretary HODGSON. The Labor Department has only one responsibility in this area. That is to advise the appropriate people that there has been a refusal to cooperate with the program.

We have no mechanism under law or otherwise to deal with the problem from that point on.

Senator MILLER. Do you have it brought to your attention that notwithstanding this advice, there is the gap between your advice and the implementation of it on the part of the State agencies?

Secretary HODGSON. That is why we want it corrected in this bill.

Senator MILLER. Well, you do have that information. Do you have it periodically or by month? Do you have somebody in your shop who can refer you—

Secretary HODGSON. How often do we get reports on this? Monthly reports.

Senator MILLER. Well, what do you do with them? Do you contact another agency of the Federal Government and say, "Look, we made these notifications; we have a report showing that there has not been anything done about it; what about it; it is your Department's job now to follow up on this?"

Secretary HODGSON. I think it is a reasonable question. We had not only this problem, but many other problems with this WIN program in about the first year of its operation. So some time ago we developed a joint task force team with HEW and went out in the field and visited 27 States where this circumstance with the WIN program seemed to be the least satisfactory. This is one of the things that we brought to their attention at that time.

Now, that is, I would say, really the nature of the attention that we have given this thing. But it has been done jointly with HEW. It has been done by going into the field and working with the States themselves, not only on this problem but a wide range of problems.

We think there has been some improvement since then.

Senator MILLER. I take it it would be your point that if, under those circumstances, it was determined that there was unreasonable laxity of enforcement, then HEW could have withheld some Federal funds as retaliation for this laxity?

Secretary HODGSON. I do not want to speak for the Secretary of HEW on that.

Senator MILLER. In any event, you could not?

Secretary HODGSON. That is right.

Senator MILLER. But you did participate in this task force to find out what was the trouble?

Secretary HODGSON. That is right. We have made some improvements as a result.

Senator MILLER. Might I suggest, Mr. Chairman—

Senator HANSEN. You are the Chairman.

Senator MILLER (now presiding). The Chair will ask the staff to inquire of the HEW what was done with respect to cutting off Federal funds or threatening to cut off Federal funds in these cases that the Secretary has referred to.*

THE WIN PROGRAM

Mr. Secretary, the Auerbach study on the work incentive program makes the point that in many cases, it would be unnecessary to provide services to make an individual employable if the employment service

*A response from the Department of Health, Education, and Welfare appears in appendix C at p. 1159F.

would devote more effort to the development of job opportunities which could utilize the skills and abilities already possessed by him.

The report cites as an example that it would be unnecessary to provide institutional high school equipment and training, which is often unrelated to job skills, if only employees could be accepted by employers without a high school degree. Do you have an answer to that?

Secretary HODGSON. I would agree that a job developed on the part of the Employment Service is an important part of our role. This is one of the reasons why we feel that the Job Bank itself is such a significant step forward. It is a way of appealing to employers to list their jobs with the Employment Service and get a meaningful response from the Service by so listing it. This is a good step forward in job development.

The latter part of that question with regard to the unsuitability of vocational education to the jobs that are available in the community, and the question of the absence of the need for a high school education for some jobs, are both subjects that are worthy of attention.

With regard to the last one, I think that one of the main thrusts of the JOBS program has been to convince employers, and it has been done with signal success, that these disadvantaged people, most of whom have not finished high school, can become effective employees.

We have over 200,000 of them in jobs today as a result of it.

Senator MILLER. The point you make, then, is that that is the policy under JOBS. I would assume you would carry that policy into other activities?

Secretary HODGSON. From the Employment Service standpoint, we want employers to establish realistic standards, not artificial standards for the jobs.

Senator MILLER. Thank you.

Again, the Auerbach study on the work incentive program states that a serious problem in the program consists of keeping the employees waiting after they complete one part of their employability program but before beginning another part. According to your Department's report on the work incentive program, about 15,000 persons were in this waiting category as of April 30 of this year.

Do you have any figures on how long these people are kept waiting on the average?

Secretary HODGSON. I will have Assistant Secretary Lovell talk to that.

I will say this, though: This is an element that continual experience with the program in structuring it shows that there are not inordinate gaps between its components, experience itself will help take care of a great deal of that. But I will let the answer be amplified by Secretary Lovell.

Mr. LOVELL. Senator, we have been very concerned about this and, to some extent, it does represent deficiencies in the program. The initial applicant holding period has gone down considerably. As a matter of fact, the total holding period in the program has gone, I think, from 46 to 24—

Secretary HODGSON. Days?

Mr. LOVELL. Percent, in terms of the number of people.

Senator MILLER. My question was that the report says there were 15,000 persons in this category as of April 30. I would like to know how long they were kept waiting, on the average.

Mr. LOVELL. I think the average figure for an individual throughout his entire period is that he would spend about 6 weeks in the holding capacity—not all at one time.

Secretary HODGSON. Between the time he registers and they start something, between the conclusion of that portion of the program and starting another one, the conclusion of that program and the time they are referred to a job, total of 6 weeks.

Senator MILLER. Out of a total of how many weeks?

Mr. LOVELL. Out of a total of, say, 44.

Senator MILLER. Thank you.

Secretary HODGSON. The important thing about this, Senator, is I want to emphasize that we consider that to be a matter for improvement.

Senator MILLER. May I ask just one thing: You said about 6 weeks out of 50 weeks, on the average. Do you have any figures on the relationship of the waiting period to the dropouts?

Mr. LOVELL. What are you—

Senator MILLER. What I am getting at is is there any relationship between the dropouts and the waiting period?

Mr. LOVELL. I think unquestionably there is, Senator. I do not have any exact figures on it. But I think that the evaluations that we have received would indicate that the longer an individual is in a waiting capacity, the more apt he is to drop out. For example successful WIN graduates wait an average of 6 weeks and dropouts 13 weeks.

Senator MILLER. Your guess would be, then, that while the average waiting period was 6 weeks, there might be someone who had a total waiting period of 3 months?

Mr. LOVELL. Yes.

Senator MILLER. Then that would probably be amongst those who dropped out the most?

Mr. LOVELL. Yes, sir.

Senator MILLER. Thank you.

Mr. Secretary, from some of the materials presented to our committee, it would appear that we are faced with a problem of getting women into jobs which actually get them off the welfare rolls.

WIN WOMEN GRADUATES

In your WIN program annual report, you state that a survey of WIN women graduates in five States show that for 48 percent, their average wages are less than \$2 an hour.

Now, last Tuesday, you stated you get them a job at around \$2.20 an hour. So that is the point where they leave the welfare rolls.

But the question is, if 48 percent of them are receiving less than \$2 an hour, what can we do about it?

Secretary HODGSON. The average for men was \$2.48. The average for women was \$2.03. The average combined is \$2.27. That is where the difference is.

The fact is that in our society, in our economy, the average woman, job occupied by a woman, receives less pay than the average for men.

Senator MILLER. In how many States would a woman in a family of four leave the welfare rolls at the average rate of \$2.03? Do you have any figures on that?

I can see where that might require a little research, and would you like to provide that for the record?

Secretary HODGSON. I think it would.

Senator MILLER. I would appreciate it, if it is readily available.

Secretary HODGSON. Let us see if it is one of the many figures we have here. Hold on.

The break-even point for a family of that size is \$1.77, so they would not be in FAP with a rate of \$2.03.

Senator MILLER. I am wondering in how many States would they be off the welfare rolls then, with that kind of an average earning?

Secretary HODGSON. You mean as of now, under the present welfare plan?

Senator MILLER. Well, yes, and with the \$2.03 average rate.

Secretary HODGSON. I guess we would have to get that for you.

Senator MILLER. If you would do that, I would appreciate it.

(The information follows:)

Question. Number of people who will get off welfare at \$2.03 per hour, by State.

Answer. \$2.03 is the median hourly earnings rate for women graduates of the WIN program, according to a six-State survey made in August 1969. States included in the survey were: California, Colorado, Illinois, New York, Pennsylvania and Washington.

There is wide variation among States in the amount of earned income required to remove public assistance recipients from welfare rolls, with more than two and one-half times as much income needed in Alaska as in North Carolina. The State welfare standard for a family of four ranges from \$150 per month in North Carolina to \$419 in Alaska. The hourly earnings equivalent of these monthly standards are \$0.87 and \$2.42. However, the majority of the States cluster in the bottom half of this range, with 34 States and the District of Columbia having equivalents of less than \$1.60 (the minimum hourly wage of most general application). Another 13 States range from \$1.60 to \$2.00 with only New Jersey, Maine and Alaska being above \$2.00.

Because of the incentives built into the WIN program, earnings have to be considerably in excess of an equivalent of the welfare payment in order to remove a family from welfare completely. The first \$30 of earned income, plus one-third of the remainder of such income may not by law be used to offset the financial assistance received from welfare. Thus an earned income of \$330 is needed to offset a welfare payment of \$200.

On this basis, \$2.03 would be sufficient to remove a family of four from the welfare rolls in the following States: North Carolina, Arkansas, Ohio, Maryland, South Carolina, New Mexico, Louisiana, District of Columbia, Georgia and Kentucky.

There are a total of 1,319,600 AFDC recipients in the States; however, we do not have information concerning family size. A March 1969 special study showed a typical AFDC family consisted of a mother and three children, so that probably the majority of families in these 10 jurisdictions would consist of four persons.

NUMBER OF AFDC RECIPIENTS WHO WILL GET OFF WELFARE AT \$2.03 OR LESS PER HOUR, BY STATE ¹

State	Number of AFDC recipients in State, as of Apr. 30, 1970	State welfare standards		Hourly earnings required to remove public assistance recipients from welfare rolls ²
		Monthly earnings	Hourly equivalent	
North Carolina.....	132,000	\$150	\$0.87	\$1.47
Arkansas.....	48,700	176	1.02	1.70
Ohio.....	281,000	193	1.12	1.84
Maryland.....	139,000	196	1.13	1.87
South Carolina.....	58,600	198	1.14	1.89
New Mexico.....	54,600	203	1.17	1.93
Louisiana.....	216,000	205	1.18	1.95
District of Columbia.....	43,700	208	1.20	1.97
Georgia.....	214,000	208	1.20	1.97
Kentucky.....	132,000	216	1.24	2.03
Total.....	1,319,600			

¹ Based on HEW data.

² Hourly earnings levels required to remove persons from welfare with consideration of WIN program incentives taken into account.

REGISTRATION REQUIREMENTS

Senator MILLER. Now, as I understand it, there has been a registration requirement with the employment service for unemployed fathers since 1961 or thereabouts. What has been the record of the employment service in finding jobs for these registrants?

Secretary HODGSON. The unemployed father group?

Senator MILLER. Yes. Here, again, if you would just like to provide for the record the information in that group, that will be satisfactory.

Mr. LOVELL. I think that would be better, Senator.

Senator MILLER. All right.

(The information follows:)

A special survey, as of August 31, 1969, was done on WIN graduates in follow-up status. The six states included in the survey—California, New York, Pennsylvania, Illinois, Washington, and Colorado—were all "Unemployed Father" states.

The total number in follow-up status in these states was 4,619. These included 2,786 (60 percent) males, and 1,833 (40 percent) females.

97.1 percent of the males were found to be employed full-time.

96.3 percent were earning \$1.60 per hour or more.

24.6 percent were earning \$3.00 per hour or more.

We do not know how many of these males were *fathers*; however, for FY 69, 16 percent of all WIN enrollees were under 22; the remaining 84 percent presumably were parents, otherwise they would not have been eligible for the program.

Senator MILLER. Mr. Secretary, when we held hearings in April, it was pointed out that the House-passed bill does not require any welfare recipient to work in order to receive benefits; it only requires them to register.

Mr. Rosow responded by making much of the fact that in addition to registering, they had to accept work or training if it were offered.

My understanding is that we expect about 2 million persons to register—

Secretary HODGSON. 2.5 million.

Senator MILLER. But only anticipate training around 225,000.

Secretary HODGSON. The first year. That is added training, additional over what currently exists.

Senator MILLER. Well, my question was, or my point was, that this would appear that only about one out of 10 would be required to accept training. What happens to the other nine?

Secretary HODGSON. It would be about one out of six because we have about 150,000 training slots available now. We have added another 250,000. That is about 400,000. So that is about one out of six.

But you are right. Your limitation on the level of training there is for two reasons: One is that there will be a lot of people referred for work that do not have to have training.

The second is that we feel that we can build up this training in an effective and efficient manner only so fast, and so that is the reason why we propose for the first year only that number. Eventually, we will expand it.

Since Assistant Secretary Rosow is cited as the father of this question, I shall let him respond further.

Senator MILLER. Let me just summarize, as I understand it right now. The point is that there will already be quite a number in training and other programs.

Secretary HODGSON. No, quite a number of slots available from other programs and from WIN as it now exists. What we are doing is adding to those the 250,000. We say the total will be around 400,000 the first year.

Senator MILLER. All right. So that while in this particular program there will be about 225,000 of the 2.5 million that will go into training, there will be about another 150,000 that will go into other slots of training?

Secretary HODGSON. Yes.

Senator MILLER. And there will be some of the 2.5 million who will not need training anyhow?

Secretary HODGSON. Exactly.

Senator MILLER. Now, this all makes sense to me. Additionally, do you have any estimates as to how many of these 2.5 million who would be working poor would not be involved in training?

Secretary HODGSON. Yes. I shall let Assistant Secretary Rosow respond to that.

Mr. Rosow. Senator Miller, in the registration figures, which gets to the heart of your question, the 2.5 million breaks down this way:

We have 1.2 million full-time working poor who will be required to register but are already fully employed. That is where our pilot upgrading program of 75,000 would take effect.

Then we have 200,000 16- and 17-year-olds not in school, and 1,100,000 adults 18 and over not excluded by the exemptions.

So that leaves us with a net target of 1.3 million people. As the Secretary stated, between our base manpower program where we have about 150,000 capability, our add-on of 225 will be up close to 400,000 people that we can train in 1 year against a baseload of 1.3, which gives us a training effectiveness of about 30 percent in the first year of the enactment of the bill.

Then, of that 1.3, a good proportion should be available for direct referral to work without training.

Senator MILLER. I appreciate that. I think that is a point that has not been emphasized too much. It makes the target on this training program a lot more meaningful.

Secretary HODGSON. It is a hard one to convey properly.

THE WORKING POOR

Senator MILLER. There is one point. How many did you say you would estimate of the 2.5 million who are already full-time working poor?

Mr. Rosow. 1.2 million.

Senator MILLER. What are we going to do about them? Are we going to leave them alone and take these other nonworking people and put them in training programs, or are we going to look at the 1.2 million and see which of those we can move into training programs so that not only can they continue to work full time, but they can work at better jobs to break out of their category of working poor?

Secretary HODGSON. There are two things about the working poor. One is that about 200,000 of these each year work themselves out of their working poor status.

Senator MILLER. You mean under present programs, or voluntarily?

Secretary HODGSON. Just normally. But the second thing is that we have proposed an initial upgrading pilot program of 75,000 slots—75,000 trainee positions—to provide a special opportunity through training for this working poor group to improve their skills to a point where they can get jobs that will place them in categories beyond that of the working poor. It is a start. It is not a big amount, but we feel it is as much as we can effectively do in the first year of such a program. But we certainly are not going to ignore them.

Senator MILLER. I can see a little trouble ahead, and it is going to require very astute administration. We may have somebody who is in a working poor category, and all of a sudden they find that their neighbor down the street, who has not been working at all, is in a job training program, as a result of which he ends up making twice as much as what this working poor individual is making, who may feel he has been discriminated against, and perhaps he ought to get the first go at that training as against the one who may not have been trying to engage in working.

Secretary HODGSON. Well, there are a great many parts of this program that are going to require, as you say, astute administration.

Senator MILLER. Well, my point on that would be that I would hope in that 75,000 program, and perhaps enlarging it, you recognize the desirability of giving some preference to those who have been doing the best they could as against those who have not.

Secretary HODGSON. One of the priorities that we certainly have to weigh is who gets the benefit of it.

Senator MILLER. Thank you.

Mr. Rosow?

Mr. Rosow. I wanted to add, if I might, that the thing that assists us to achieve your objective is that about half of the working poor people are out of their jobs at some time in the course of the year, so we would hope to intervene at that point without breaking their contracts with their existing employer and give them the training that you suggest they are seeking.

PLACING WIN GRADUATES

Senator MILLER. Thank you.

Mr. Secretary, I understand that there has been some difficulty in placing WIN graduates. Mr. Lovell testified before a House appropriations subcommittee in May that in order to expand the job opportunities for WIN enrollees, they are now being given preference in the National Alliance of Businessmen JOBS program.

What does this mean to a WIN enrollee? What is meant by preference? Why has not preference been given?

Secretary HODGSON. I shall let the man speak for his earlier response.

Mr. LOVELL. We initially gave priority in referring people to the JOBS program to people who had participated in the CEP program, the concentrated employment program. In May, I think it was, we decided that in addition to giving preference to these people, we would give preference to enrollees in WIN so that they would be more

apt to be referred to these jobs than someone who was not part of the program.

Senator MILLER. What kind of preference is it? What does it mean?

Mr. LOVELL. Well, it means that if an individual is enrolled in WIN, there is a greater chance that he will be referred and placed on a job that is funded by a Federal trainee program.

Senator MILLER. Are you saying that a business which is in the National Alliance program will be furnished a list of those enrolled in the JOBS program—

Mr. LOVELL. They will have an individual referred to them. These businesses have already agreed to take disadvantaged people referred to them by the employment service.

So we will refer to, and are now doing it, referring to these businesses who have agreed with us to do it individuals who are participating in the WIN program.

Senator MILLER. So that if they have 10 slots available and they have 20 applicants and they have 10 who are enrolled in the WIN program, those 10 will get it and the other 10 will not? Is that what you are saying?

Secretary HODGSON. It does not really work that way, does it? Say they have 20 applicants. The referrals are made by the employment service in this circumstance.

Senator MILLER. Then you are saying that if the employment service has 20 applicants, they will refer 10, and those 10 will be out of the WIN program?

Mr. LOVELL. Yes, sir.

Senator MILLER. Thank you.

WIN ALLOCATIONS BY STATE

One last question, and here again you can provide this for the record if you like, Mr. Secretary.

On page 54 of the revised bill, it says that the Secretary of Labor shall establish criteria to achieve an equitable apportionment among the States of Federal expenditures for the work incentive program.

I would like to know what apportionment of funds by State under present law has been provided for the fiscal year ended last June 30, and what is proposed for the current fiscal year.

Secretary HODGSON. We will get you data on that.

Senator MILLER. Then, in addition, so we will see what has been done under present law, for the year just ended and the current year, what is the apportionment to be proposed under this bill for fiscal 1972.

Secretary HODGSON. We can supply you with that kind of data.

Senator MILLER. Yes, and the criteria used in making the apportionments.

I can see where we might end up with some different criteria for the new program for fiscal 1972 than the criteria under the present program.

Will you give us the 3 years, apportionment by the States for the two, the expected apportionment for the third in fiscal 1972, and the criteria? I think that will be helpful.

Secretary HODGSON. We shall be glad to do it.

Mr. LOVELL. I think it is important to realize that the criteria used for the apportionment of funds in the past 2 years have not been just on the basis of need by the capacity of the State to provide programs. In future years it will be based on need and the numbers of people in the welfare population.

Senator MILLER. Of course, that word "need" is one over which there are a great many battles waged. That is why I think if you could elaborate for me—in other words, I would hope, if you give us the criteria and use the word "need," you would elaborate on that.

Secretary HODGSON. We shall give you something specific on that. (The information follows:)

WORK INCENTIVE PROGRAM AUTHORIZED SLOT LEVELS, BY STATE, FISCAL YEAR 1970 AND 1971—FUNDS OBLIGATED AS OF JUNE 30, 1970 FOR FISCAL YEAR 1970, BY STATE, NEW FUNDING REQUIREMENTS FOR FISCAL YEAR 1971, BY STATE

	Fiscal year 1970		Fiscal year 1971 ¹	
	Slots	Funds obligated June 30, 1970	Slots	New funding requirement
National total.....	116,744	\$78,779,919	122,265	\$78,467,014
Alabama.....	1,200	930,748	1,400	313,132
Alaska.....	360	399,336	360	.....
Arizona.....	1,680	1,066,239	1,680	1,465,295
Arkansas.....	950	170,000	950	.....
California.....	16,800	18,299,708	16,900	21,321,588
Colorado.....	2,600	18,744	2,600	1,537,776
Connecticut.....	1,200	874,187	1,600	704,881
Delaware.....	310	306,497	350	.....
District of Columbia.....	1,440	.....	1,440	2,221,492
Florida.....	2,640	.....	2,920	1,973,370
Georgia.....	1,440	.....	1,500	1,345,364
Guam.....	90	62,047	90	40,000
Hawaii.....	360	378,783	360	223,837
Idaho.....	480	277,324	480	.....
Illinois.....	5,000	658,321	5,000	3,086,024
Indiana.....	1,000	53,124	1,000	.....
Iowa.....	1,000	1,224,623	1,000	100,000
Kansas.....	700	357,000	1,030	1,139,428
Kentucky.....	2,400	3,219,769	2,400	.....
Louisiana.....	1,500	500,000	1,500	979,879
Maine.....	400	510,644	600	.....
Maryland.....	2,700	.....	3,000	1,900,292
Massachusetts.....	3,000	2,342,770	4,950	3,436,839
Michigan.....	6,000	3,531,913	6,000	4,818,032
Minnesota.....	1,200	882,094	1,500	849,212
Mississippi.....	400	.....	400	.....
Missouri.....	1,800	2,289,966	1,650	305,439
Montana.....	410	357,013	410	.....
Nebraska.....	480	.....	700	515,957
Nevada.....	100	91,000	100	.....
New Hampshire.....	.....	.....	.....	.....
New Jersey.....	3,000	3,647,817	3,000	864,331
New Mexico.....	450	310,000	450	460,843
New York.....	14,400	9,089,806	14,800	16,000,000
North Carolina.....	1,160	.....	800	29,903
North Dakota.....	440	344,301	300	.....
Ohio.....	4,600	.....	4,600	3,505,307
Oklahoma.....	450	280,000	450	362,895
Oregon.....	1,350	1,600,490	1,800	.....
Pennsylvania.....	6,720	2,367,887	8,000	5,348,641
Puerto Rico.....	3,500	2,970,000	3,500	318,935
Rhode Island.....	750	1,085,055	750	.....
South Carolina.....	300	.....	250	.....
South Dakota.....	480	754,442	650	.....
Tennessee.....	1,900	2,570,192	2,400	.....
Texas.....	1,600	240,000	1,700	1,892,752
Utah.....	2,050	1,621,025	2,050	.....
Vermont.....	315	429,598	600	.....
Virginia.....	1,265	2,246,784	1,800	.....
Virgin Islands.....	74	63,443	50	75,000
Washington.....	2,400	2,545,401	3,000	542,599
West Virginia.....	7,400	5,528,336	5,000	.....
Wisconsin.....	2,280	2,107,829	2,430	792,061
Wyoming.....	220	175,662	135	.....

¹ Preliminary estimates.

CRITERIA FOR WIN ALLOCATIONS FISCAL YEAR 1970 AND 1971

1. State's AFDC caseload in proportion to national total
2. Size and location of Title V (EOA) program replaced by WIN
3. The State's WIN performance during previous year
4. The State's (PS and welfare) capacity to expand operations
5. The State's ability to provide non-federal funds or in-kind services amounting to 20% of the federal allotment.
6. The State's amount of carry-forward funds from prior Fiscal year.

CRITERIA FOR FAP ALLOCATION FISCAL YEAR 1972

In order to achieve an equitable apportionment of funds among the States, factors such as the following will be considered :

1. Estimated number of registrants
2. The level of State incentive allowance payment
3. The percentage of working poor in the State as compared with other registrants
4. Ability of the State to move forward with the program
5. Size of Work Incentive Program

We do not now have estimates of registrations under the new law by States, but hope to be able to make such estimates soon. The allocations will also depend on how well individual States do in expanding their programs in FY 1971, since State capability is taken into account.

Senator MILLER. Thank you very much, gentlemen.

The committee will recess until the time that has been set.

(Thereupon, at 1 p.m. the hearing was recessed until Thursday, August 13, 1970, at 10 a.m.)

THE FAMILY ASSISTANCE ACT OF 1970

THURSDAY, AUGUST 13, 1970

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 2221, New Senate Office Building, Senator Herman E. Talmadge presiding.

Present: Senators Long (chairman), Anderson, Talmadge, McCarthy, Harris, Williams of Delaware, Bennett, Curtis, Miller, and Hansen.

Senator TALMADGE. The committee will please come to order.

Mr. Secretary, we are happy to have you return again. I have a few questions at this time, or would you prefer to go first, Senator Bennett?

Senator BENNETT. Well, I will be glad to because I may have to leave to attend another executive committee meeting.

Senator TALMADGE. You go ahead, I yield to you.

AVAILABILITY OF JOBS

Senator BENNETT. Fine.

Mr. Secretary, when former Secretary Shultz testified before the Ways and Means Committee, he stated, and I am quoting:

It is not our intent to create jobs in the public sector especially for the hard core unemployed as a way of solving manpower problems. We believe that such jobs are not a solution to employment problems and represent a failure to face up to the more difficult task of equipping individuals to compete for the ever-increasing number of real jobs that our economy is producing. We estimate that there will be 2 million job openings a year in clerical, sales, and operative occupations.

Would you like to comment on this?

STATEMENT OF HON. JAMES D. HODGSON, SECRETARY OF LABOR, ACCOMPANIED BY JEROME ROSOW, ASSISTANT SECRETARY FOR POLICY, EVALUATION, AND RESEARCH; MALCOLM LOVELL, ASSISTANT SECRETARY FOR MANPOWER; ROBERT J. BROWN, DEPUTY ASSOCIATE MANPOWER ADMINISTRATOR, U.S. TRAINING AND EMPLOYMENT SERVICE; AND PAUL E. BARTON, ASSISTANT TO MR. ROSOW—(Resumed)

Secretary HODGSON. Senator, I believe that reflects the basic position of our Department. We feel that specially created jobs in the public sector to deal with welfare cases should be just that, special, temporary and constantly reviewed to see if they are performing the

purpose for which they are intended. We do not believe that we ought to substitute a welfare job for a welfare check.

The intent of this plan is to move people off of welfare into the world of real work and in that way accomplish its objectives, and the mere creation of vast numbers of welfare jobs, so to speak, would not achieve that.

But we do say that the existence of special work projects, and the opportunity to use these special projects as a halfway house between the world of welfare and the world of work for a limited number of people, usually only for a temporary period, can perform a useful service in speeding that transition from welfare to the world of work.

Senator BENNETT. The quotation uses the figure 2 million, which I assume to be a rounded estimate. Are there enough jobs to take care of the normal increase in the work force of people who want to work and also provide openings for welfare, present welfare recipients, or will the welfare recipients tend to create an unemployment problem for people who have never been on welfare.

Secretary HODGSON. You are talking about a subject, Senator, there that we believe has a complex of factors. The most important one, of course, is the state of the economic health of the Nation at the time. The more vigorous the thrust and advance of our economy, the more job openings that exist, the more opportunities there are for all categories of persons including welfare people, people on welfare. So that would be the single most important element.

There are local circumstances that bear upon your question. There are pockets of unemployment in this country that have stayed high right through some very vigorous periods of growth in the overall national economy. We have a feeling that the provisions that exist in this bill will assist moving people off of welfare into the world of work, that there will be in the world of work opportunities for them. The number and extent of those opportunities will vary with time and with location. We do not expect to solve the problem all at once, but we are going to make gains with it.

NEW JERSEY EXPERIMENT

Senator BENNETT. We have been told that the New Jersey experiment sponsored by OEO has shown that family assistance plan recipients can be helped toward meaningful employment. Do you know or can you tell the committee what kind or what types of employment training were offered to these recipients which made them employable?

Secretary HODGSON. I would like to talk a bit further about that experiment.

Senator BENNETT. OK.

Secretary HODGSON. And what we feel it really means.

We feel that that experiment testifies to the workability of the idea of providing an incentive, and by providing an incentive we can get people from the world of welfare into the world of work.

With regard to the specific experiment and the ingredients that went into it, I would like to ask Assistant Secretary Rosow to comment.

Mr. Rosow. I will make a brief comment.

Senator Bennett, I think the point directly to your question is that that was a small experiment and it did not include any training com-

ponent. It was fundamentally an experiment in income maintenance for the working poor, trying to see whether or not supplemental payments to them would act as a disincentive to their continuing to work or an incentive to keep them working. Although the sample was small, the findings were generally positive to the effect that if the working poor were given the incentive to keep working, there was very little evidence that they quit as a result of getting some supplementation, and some evidence that they actually worked their way more progressively off of welfare entirely.

Senator BENNETT. I suppose we could assume that men or women classified as working poor had a certain level of skills which were necessary to get them on the job in the first place.

Mr. Rosow. Yes, sir.

Senator BENNETT. And so in this experiment you learned nothing about the type of training that is necessary to be given to the people who are essentially unemployable, who are welfare-based rather than already working?

Mr. Rosow. That is right, Senator Bennett. We have obtained a tremendous amount of information about training through our regular manpower training programs and through the WIN program apropos of the heart of your question.

But the New Jersey experiment was not designed to do this.

Senator BENNETT. My next question may be superfluous in view of your latest answer, but can you tell the committee what type of work incentives were included in the New Jersey experiment?

Secretary HODGSON. The experiment, as Assistant Secretary Rosow pointed out, did not involve a training attribute.

Senator BENNETT. No.

Secretary HODGSON. So we did not indicate that was one of the major incentives, or even a significant incentive in these circumstances.

Mr. Rosow. The experiment really attempted to vary the taxation rate and the payment rate to see whether or not there was a function here related to the level of incentive. In other words, could they find some break-even point at which the tax rate was panel and in which it was more productive to continue work. But there are no positive answers on those variants.

Secretary HODGSON. Senator, I could either at this time give you a summary of the observations and conclusions of the research or I could give you that for the record if you wish.

Senator BENNETT. I wish you would.

Secretary HODGSON. For the record or provide it now?

Senator BENNETT. Yes, for the record will be fine.

Secretary HODGSON. All right, fine.

(The information requested follows:)

THE NEW JERSEY EXPERIMENT

The income maintenance experiment in New Jersey is an OEO funded test program operated by the Institute for Research on Poverty. The study involves 700 families over a three-year period. The families report monthly on the amount of earned income they receive after which a subsidy is granted which brings their resources up to the minimum level deemed adequate to meet family needs. Preliminary results, based on 6 months of operation, are encouraging. The researchers noted the following:

1. The earned income of these families appear to rise and fall to the same extent they did prior to the inception of the cash benefits program.

2. Incentives are particularly crucial for the "working poor," those for whom the Administration's Family Assistance Plan is particularly relevant.

3. Additional cash benefits for these families seem to result in the same actions as for non-welfare families. That is, they spend a little more on everything, generally eat and live better, and spend with about the same mixture of wisdom and foolishness as everyone else. Cash benefits seem to stabilize their budget and make it easier for them to use legitimate credit channels.

4. Families are very mobile within the same community—they rarely make long distance moves back to low cost areas.

5. Only five percent of the families had so much trouble with the required paper work in the experiment that they could not cope at all.

6. The rural projects had some difficulty in defining and handling "farm" income for the self-employed farmer (they are using cash receipts and expenses reported monthly with year-end reports on non-cash expenses, ignoring gardens and home produced livestock as income producing assets). Excluded assets in both urban and rural projects include personal effects (household goods, jewelry, automobiles, etc.), \$20,000 of business capital, \$10,000 for an owner occupied home, \$1,000 in cash or bank accounts and \$5,000 of the value of insurance policies—10 percent of any excess value is considered income.

The researchers recommended that in an income maintenance program such as FAP, in order to avoid problems, careful attention should be given to the following areas:

1. Definition and treatment of assets.
2. Frequency of payments.
3. Definition of family unit.
4. Definition of farm income.
5. Inequity between home owners and renters in handling of income credit.

MANPOWER TRAINING PROGRAMS

Senator BENNETT. Mr. Secretary, you state on page 14 that:

Our capability for using the manpower program to move welfare recipients from welfare rolls to payrolls is considerably larger than just the WIN program.

For example, in fiscal year 1969, about 200,000 welfare recipients were trained in our programs, of which only about a third received training in the WIN program itself.

Do you know how many AFDC recipients were trained in other Labor Department manpower programs?

Secretary HODGSON. There were a number of them.

For instance, in the JOBS program, the program run by the National Alliance of Businessmen, where disadvantaged people are referred to private industry, there are a number there, and there are a number in various other programs.

The total number is 200,000, of which 80,000 were WIN. That means 120,000 in the other manpower programs. That is for the year 1969.

Senator BENNETT. Are there any one or two of those other programs that are sufficiently significant so that they should be identified?

Mr. LOVELL. I think the JOBS program has proved very useful in this regard, although only about 10 percent of the jobs—enrollees have been on welfare. But the success of that has been noticeable.

The Manpower Development and Training Act, institutional program has had about 17 percent welfare people.

Senator BENNETT. Thank you.

Secretary HODGSON. Senator, I would like to add, there are a number of private sector programs that have been undertaken, including some that I participated in before coming with the Government, that showed that with additional attention, additional training, that this could be done, could be done effectively, and could be done with considerable cost effectiveness.

Senator BENNETT. The Committee for Economic Development states in its recent report on training and jobs for the urban poor that what is needed is "an integrated program for a full range of manpower development services."

It further stated, and again I quote :

Despite the proliferation of manpower programs in recent years, there are no existing institutions designed to provide such a range of services. A few of the large private corporations come closest in that they couple training and support services with jobs. We, therefore, suggest experimentation with a new type of public or nonprofit corporation which would undertake to provide training and jobs for marginal hard core workers.

I would appreciate your comments on this idea of a corporation, quasi-public or nonprofit, which would undertake to provide or supervise a wide range of training programs and training systems.

Secretary HODGSON. Well, I would start by alluding to something in the earlier portion of that quote, that there does not exist a combination of services and functions, that manpower programs have indeed proliferated and left gaps between them, and have been structured so that the full package of functions is often not performed.

We would agree with that analysis and one of the reasons why we have come forward with our proposed Manpower Training Act, would be to decategorize the existing structure of the manpower programs so that we could package the kinds of services that are needed for the respective localities in this country.

So we are in agreement that a total complement of services, of which training would only be one, is a sound approach to the idea of moving people out of the disadvantaged or welfare category into the traditional working world.

However, the form which is suggested in the OEO statement is not necessarily the only or even the best answer.

We feel that FAP, for instance, will provide in effect the kind of services we are talking about but do it without the existence of this nonprofit corporation.

Senator BENNETT. What other types of services would you include in that package?

Secretary HODGSON. Well, there needs to be counseling, job development, recruiting, referral agencies that can handle special problems for people who have special problems. These kinds of services in total go to make up the necessary services that will provide the employability teams who will be developing employability or career plans for the individuals who will be registering with the Employment Service at that time.

It is this series or sequence of services that the teams, preparing career plans for individuals, will put together and apply to those individuals on a case-by-case basis.

Senator BENNETT. Do I understand then that you consider that taking FAP as an area, the people who would be covered by FAP as a group or unit, that this kind of service or combination of services should be put together for them rather than that they should find themselves being trained in an existing program over here or using an existing program somewhere else. You would conceive of a special but separate and distinct organization set up to serve FAP.

Secretary HODGSON. No. What we would do is stay with what we have available in terms of manpower structure and legislative at the

time FAP passes, and apply that to the needs of the FAP community. If we are able to get the enactment of a Manpower Training Act, the flexibility that we have at the present time will be increased, providing an additional advantage.

We feel we can make gains even with the categorization that exists at the present time. We could improve that somewhat if we could take greater amount of local differences and structure programs on more of a tailor made basis than we are able to do at present. But we do not envision a whole new program jettisoning all these existing concepts.

Senator BENNETT. Then let me try again.

It would be your thought then that the organization of FAP would reach out and make use of these various programs that may be present in a given locality?

Secretary HODGSON. Unquestionably.

Senator BENNETT. But they would have the responsibility for the selection of the program and the referral of the FAP beneficiaries?

Secretary HODGSON. That would be one of the responsibilities of these employability teams that will be developing career plans for the FAP recipients.

Senator BENNETT. Thank you very much, Mr. Chairman. I have no other questions.

Senator ANDERSON. Senator Talmadge?

TALMADGE AMENDMENTS TO IMPROVE WIN PROGRAM

Senator TALMADGE. Mr. Secretary, one of the provisions of an amendment I have proposed to improve the work incentive program would require at least 15 percent of the persons registered under the bill in any 1 year be provided work and training. My amendment would not require persons employed full-time to register for training since I do not see why we should want to take someone out of employment and train him so he can be employed.

Do you feel it is too much to require that at least 10 percent of the registrants be provided training?

Secretary HODGSON. We like to keep our basic concept intact and not make any determination in advance as to percentages by year or flat numbers by area. We do not believe that it is particularly helpful to the problem to have these percentages preestablished.

In fact, in our experience, when this occurs they frequently become something to work around rather than to work with.

Senator TALMADGE. The reason for my proposal is that only about one out of every 40 persons under the work incentive program received any training. So it would seem to me that we should materially strengthen that provision, Mr. Secretary.

Secretary HODGSON. I would like to have Assistant Secretary Rosow comment on that.

Mr. Rosow. Senator Talmadge, I think your question gets to the heart of the problem today with the WIN program and is concerned, in fact, with the condition in which we are not obtaining a large number of referrals from the welfare rolls to training. Your proposal for 15 percent is certainly modest, but we feel that with the mandatory registration requirement, will, in fact, achieve your objective because

at the present time there is this uneven flow, where the welfare department has to refer people to Labor, and if they do not show up, there is very little that we can do about it.

Under the new bill, under family assistance, they would all be registered in advance before they received their first family assistance check, and we would have, I would think, a higher percentage than 15 percent available for training referrals in the first year of the program.

Senator TALMADGE. The Auerbach study of the work incentive program was critical of the lack of job development under the work incentive program. The amendments I have introduced attack this problem in two ways:

First, it provides a strong incentive for private employers to provide on-the-job training and employment of welfare recipients through a tax credit approach.

Second, it streamlines the funded provisions for public service employment and requires that at least 40 percent of the funds used under the work incentive program be either on-the-job training or public service employment.

During the past 2 years, this percentage has been more like 2 percent.

Do you believe your department is capable of expanding on-the-job training in public service employment as provided by my amendment so that it will represent 40 percent of the funds spent under the work incentive program?

Secretary HODGSON. Well, we consider that there is considerable merit to the idea of financial incentives to employers to tighten hiring and retention. However, the percentage figure that you mentioned may seem reasonable as a general idea or concept, but in application, as time changes and as areas have different problems, may not prove to be so. So it is not so much the concept here as the fact of a specific percentage again that we would be concerned about. I would like again to have this answer amplified by Assistant Secretary Rosow.

Mr. Rosow. Well, with respect to the tax incentive, Senator Talmadge, we think the basic idea of incentives to hire and train with the assumption that trainees will be employed, which is what we are all after, rather than just make work arrangements, is very appealing from the standpoint of simplifying the Government-employer relationship. We are doing this now, of course, in the NAB-JOBS program, but through a contract arrangement rather than through a tax incentive.

As you know, the administration has contemplated the possibility of a tax incentive experiment. When Dr. Burns was still advising the President, this was one of the projects which was being considered by his office, Treasury, and the Labor Department.

That program did not get off the ground, primarily because it was felt it would be quite costly. It was estimated that in order to run a pilot test we need in excess of \$50 million funding to run an adequate test to see whether or not the incentives could be built in without becoming a tax loophole for some employers to exploit the program rather than to achieve the objective that you have in mind.

Senator TALMADGE. I think you must have severe restrictions on it and I attempted to write those restrictions in my amendment, limited

to whether an employee would have to work for 12 months before he would claim any credit.

Mr. Rosow. Yes, sir.

Senator TALMADGE. The President recommended this in his campaign, as you know, 2 years ago, and I know since that time that he has apparently abandoned it. But some of us on this committee have felt for a long period of time that the jobs are in the private sector and that we must have some working partnership between the Government and the private sector to train these people on a real job and not a theoretical or an imaginary job. I think we have got to get to the heart of the problem in that way, really.

Secretary HODGSON. We agree with those concepts. Four out of five jobs in the country are in the private sector. We have to find ways to relate our program to the private sector. The JOBS programs did a good job of that, but it still has a disadvantage that your suggestion does not have; it did require special contracts with the layering on of bureaucracy that those things always involve. I understand there is a very attractive feature to the concept of a tax incentive for training that gets around that and that is one thing we have to weigh. It not only simplifies administration, it provides a really direct incentive for the employer.

We have to watch that when we get into it to see what the actual operation of this program may be. Will it merely mean that the employer will start to get rewarded for training that he has already been doing at his own expense, that this would now become a Government expense, that is one of the things we have to concern ourselves about. Second, we have to make sure that it will actually increase or improve the amount of training that exists. There is always the problem of determining what actually is training unless there is some sort of control over what the ingredients of those being trained are receiving.

So there are some real administrative hard operational problems that have to be resolved under your concept.

So that is the reason that we would like to see a pilot programs tried in this area to see what can be done under such programs. But we do not think we are in a place yet to say it should be the sole or controlling approach.

Senator TALMADGE. I wish you would take a hard look at that approach. Of course, as you know, a business man is not going to hire an individual who is so nonproductive that he cannot earn his wages. He wants him not only to earn his wages but hopefully make a profit for the employer, and it would seem to me that it would be far less costly for the Government in the long run to subsidize someone for training in work rather than to subsidize him to sit down and remain idle and breed some more children and have the Government subsidize them in perpetuity.

We need to make productive citizens out of them so they will be taxpayers instead of welfare recipients, and I think doing that ultimately will require a partnership between the private sector and government. Take these people who are on welfare, put them in a job that is in being, and then when they become proficient, they will be more satisfied citizens who earn wages and pay taxes.

Secretary HODGSON. Unquestionably, part of building the bridge be-

tween the world of welfare for these people and the world of work will be to provide incentives for employers to hire. So the basic concept which you have in mind here is one that is intriguing to us and we would like to attempt some pilot activity in connection with it.

Senator TALMADGE. Now, one of the major recommendations of the Auerbach Corp. was more liaison at the local level between the WIN manpower agency and the welfare agency. The Auerbach report stated on page 213 of the committee print, and I quote:

Improved coordination and cooperation between welfare and manpower agencies on all levels are crucial to the success of WIN. An intra-agency task force on WIN is already functioning on the federal level, and a similar effort could be even more useful in local projects where training sessions could involve the staff from both welfare agency, case workers and the manpower agency WIN team members.

The aim of such training would be to insure that each agency fully understands the other's role in WIN and the problems hindering the successful operation. Improved liaison is also important for the timing and coordination of the referral enrollment process, so that services will be available when enrollees need them.

Improved local communication could lead to a better coordinated program in which referrals were timed to coincide with the actual program openings, thus avoiding lengthy holding periods.

Another by-product of such timing would be more viable child care arrangements since they could be put together just prior to the mothers' actual program participation and not weeks or months in advance on the expectation of future enrollment. Although difficult, it is important for welfare case workers to remain involved in the employability planning process after referral and enrollment of clients.

As a part of improving interagency liaison, case workers should be available to the teams on an informal basis as a resource.

Do you not think the amendment I have proposed would help in eliminating this problem, Mr. Secretary?

Secretary HODGSON. Well, it certainly would. We are certainly in agreement with many of the objectives embodied in your amendments, and we will be happy to work with you and the committee to see how many of the FAP changes we have already made meet the objectives of your amendment.

One of the most helpful and, I think, useful parts of the Auerbach report was this stress on better liaison, and because of this, at least as a partial reason because of this, we assembled a team of joint HEW-Labor people and, as we mentioned, we sent them to the States that were having the most trouble in this regard. We cleared out a lot of bureaucratic underbrush and we have made some great improvements as a result of this.

From this learning experience then, we made changes in FAP itself, and the idea of having joint regulations and joint committees to assure consistency of forms and reports and joint Department of Labor and Welfare operational agency plans and employability plans, some of these things are implicit already in the improvements that we have made.

We think that FAP will really clarify this Labor-HEW role. For example, under FAP there is really no discretion on who is going to be referred. That always has been one of the big problems in WIN; the people that the Labor Department would have available for referral.

Supportive services are required from welfare agencies now.

However, important areas of coordination still exist and we would expect it would be desirable, if we can do it jointly, to strengthen FAP

further to require cooperative action with respect to regulations, and to operational planning such as you suggested.

This is especially important, we feel, in the area of child care and training.

Senator TALMADGE. The Auerbach report stated that in nearly all the States, when on-the-job training was nonexistent in spite of its advantages, individualized training and guaranteed placement was generally unfavorable in other manpower programs, and the budget figures bear this out.

You used only a small portion of the funds appropriated in fiscal years 1969 and 1970 and, in fact, in the 2 years combined, the funds used for on-the-job training have represented only about 1 percent of the total appropriations of the WIN program.

It seems to me that we must offer employers an incentive to participate in on-the-job training programs and hire WIN employees, and I have included in my amendment a tax credit as an incentive.

You have commented that you think it ought to be tried. I think that it would offer a wonderful opportunity to expand job opportunities in the private market for welfare recipients. Do you not share that view?

Secretary HODGSON. Well, we think that on-the-job training, both with and without the tax incentive feature, is something that is desirable to be expanded. So we are going to suggest in addition to this pilot use of the tax incentive idea, some other approaches to the problem such as requirements that WIN and the JOBS program be integrated so that the National Alliance of Businessmen's program can be a vehicle for opening on-the-job training for FAP recipients and thus combine these features that you talk about, jobs in the private sector, cooperation with the private sector, utilization of the private sector to assist in moving people from the role of disadvantaged or their welfare status.

We also think that a special on-the-job training funding provision in FAP would provide the automatic source of these funds. A section would provide that HEW would transfer the amount of family assistance plan funds saved as the amount of on-the-job training program for additional on-the-job training.

We are also in favor of changing the WIN special project language proposed now in FAP so as to eliminate the barriers we have talked about previously; barriers that have existed in implementing these projects under WIN.

So we agree completely that the FAP program has to have a strong on-the-job training and special work project component and that there is the need for this coordination between the Government as it moves people out of welfare into real jobs in the private sector.

Senator TALMADGE. My amendment is designed to bring into being a program that Congress has appropriated funds for but your Department has not used these funds.

In fiscal year 1969, Congress provided \$22 million for on-the-job training and your Department used \$800,000. In fiscal year 1970, the Congress provided \$13 million and your Department used \$600,000, or less than the previous year.

It looks like the Department is going backward from what the Congress had hoped the Department would do.

Secretary HODGSON. Well, it really has not in this sense, Senator. What you have described there is a special slot or characterization

that is under legislation called on-the-job training. But what we have to realize is that the big training activity we have going in the Department, the JOBS program, is on-the-job training and that we have expanded that mightily, and so do not look at what one line says about our treatment of on-the-job training.

We think on-the-job training is great. We have improved it with the emphasis we have given under the JOBS program, and we probably can and should expand the traditional OJT that you have described and we have some intention of doing so.

But I want to emphasize that on-the-job training is the central thrust of the whole JOBS program.

Senator TALMADGE. Mr. Secretary, in your report on page 46 of the committee print, you recite the problems associated with keeping an enrolled individual waiting while you attempt to arrange a job training opportunity for him.

Under my amendment, close coordination between the welfare and employment agencies on the local level would be required, so that provision of supportive services and referral for training would not begin until the individual actually had begun training.

Would you support a proposition of that kind?

Secretary HODGSON. Well, we have some provisions in the FAP section that deals with WIN-type training that hits at that problem.

I will let Assistant Secretary Lovell respond to it specifically.

Mr. LOVELL. Actually, one of the problems under WIN was the referral by Welfare at a time when Welfare thought it was appropriate. Under family assistance, all these people will be registered and they will be called on by the Department of Labor to commence their training or take a job when the facilities and when the Department of Labor would be in a position to deal effectively with them.

So there would not be the problem of joint determination between Labor and HEW under the family assistance plan.

Secretary HODGSON. I would like to add one observation to that.

The holding period that you described was primarily what might be called startup condition. You have a new program or startup condition and you come down, with experience in the program you come down the learning curve and improve your administration of it.

In the early part of this program the intake phase had a holding rate of 30 to 35. It is now down to 8.4 percent as of April of this year, which is the last figure we have, so I think we are licking that problem through administrative action.

Senator TALMADGE. Mr. Secretary, the Department of Health, Education, and Welfare has testified that about 50,000 members of the Armed Services would be eligible for welfare under the bill pending before us. The military pay raise, if and when it becomes law, would reduce this number, but the lowest rate of basic pay for a private first class would still be less than \$3,800 a year. They would be required to register for work and training.

What kinds of placement and training opportunities do you intend to make for these military personnel?

Secretary HODGSON. I think this is one of the anomalies, the pay rates in the military services you have just cited, Senator, and I think the question elegantly answers itself.

Senator TALMADGE. I have one final question, Mr. Secretary. I do not know whether this is in your province or not. It may be one that should be directed to the Department of Health, Education, and Welfare and as a matter of fact, I did interrogate Secretary Richardson regarding it. I asked Secretary Richardson about the provision of the rewritten bill requiring each State to provide birth control information as one of the social services provided under the bill.

My recollection is that the law now requires it, but the pending bill would make it merely optional.

Do you not think that in order to get at the real problem of welfare and aid to dependent children, it is absolutely imperative that we strengthen birth control measures rather than relax them?

Secretary HODGSON. Senator, the world of work and the movement of people from welfare to the world of work is one on which we feel reasonably qualified to comment, but this one is a far cry from that world. Perhaps you had more properly originally directed your question in the right direction. I do not really feel that the Labor Department, even euphemistically, ought to respond to that one. [Laughter.]

Senator TALMADGE. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Senator ANDERSON. Senator Harris?

Senator HARRIS. Thank you, Mr. Chairman.

Mr. Secretary, I would like to follow up some of the questions that have been pursued before in this committee with particular regard to Senator Talmadge's amendment to this bill.

PROVIDING JOBS FOR WELFARE RECIPIENTS

Where do you visualize we could add what I understand to be from one and one-quarter to three million people, 60 percent of them in rural areas, to the work force? What kind of jobs do you visualize that they would get?

Secretary HODGSON. They would get the kind of jobs that those of us who work in the job world usually call entry jobs, that is jobs that are ways of getting into the world of work and traditionally have been ways of entering the world of work. They are strong in service, clerical and trade occupations. They are not in high skilled level jobs or jobs requiring extensive advance educational preparation. But they are jobs that have been used in such programs as the placements under the WIN program, placements under the JOBS program, and others of the kind of programs that we have had some experience with.

So we would have to bodily characterize them as the entry level jobs in those spectrums of employment that exist pretty much throughout the Nation.

I would not really want to say that they are the one particular industry vis-a-vis another. There are many different industries that provide these kinds of jobs.

Senator HARRIS. Well, let's take this kind of a situation: Adair County, Okla., eastern Oklahoma, I would say is probably one of the 10 poorest counties in America, and the typical fellow you are going to be covering and wanting to get into work quite likely is a man who is underemployed now, who is working at whatever jobs he can find, which are bean sacking or some kind of seasonal type work such

as that. What sort of job do you figure that you are going to be able to provide for that kind of man?

Secretary HODGSON. The lower the level and the narrower the number of jobs that are available in any area will increase obviously the difficulty in effecting early placement or quick placement of these people.

It will be necessary in each of these circumstances, whether rural, urban, suburban or whatever, to analyze the labor market in that area and to emphasize what opportunities do exist, and place your attention on those rather than——

Senator HARRIS. But no present opportunities exist, when these are, by and large, people who are of lower skills and of educational attainment, and that is one of the reasons why they are in this lower income bracket.

We understand that there are fewer jobs now in the country privately than there were earlier. But where is the opportunity for that fellow? Unless you go along with something like the O'Hara bill or the Nelson bill or the Talmadge amendment or something like that, where are we going to find jobs for these people?

Secretary HODGSON. Well, as we said earlier, Senator, the economic health of the Nation as a whole, of the respective sectors of the Nation will be a very major determinant in the effectiveness with which we move people, especially with rapidity, from welfare to the world of work.

Senator HARRIS. What do you expect the present 5 percent unemployment rate to do in the future?

Secretary HODGSON. What we are experiencing now is a start in pickup of productivity or in production. The second quarter of this year was slightly higher than the first quarter. We think the third quarter will be higher than the second, and the fourth above that, so we expect a pickup in production.

Traditionally, unemployment lags a little bit behind the pickup in production, as you know, with our experience in previous periods of economic slowdown, but we feel this present level of unemployment will probably vary, as it has done in the last 2 or 3 months, slightly up or slightly down. I would not say it is at the maximum at the present time. In fact, it may go up a little bit over what it is at the present time. How much is a little bit I do not know, but I would not expect that we would have a pickup of unemployment into, or a lowering of unemployment quite as rapidly as production picks up just on historical experience.

But I would feel the fourth quarter we would have some distinct improvement.

Senator HARRIS. You think that by the fourth quarter the 5 percent unemployment rate would come, is that what you are saying?

Secretary HODGSON. Yes.

Now of course this bill, even as contemplated at the present time, does not have an effective date until July 1, 1971.

Senator HARRIS. Well, of course you know that is no answer for the fellow who is out of a job.

I think we ought to be doing for him right away.

But I take it that you are not for any kind of job creation, for the

subsidization of private industry for additional jobs or for subsidization of local or State or other public jobs.

Secretary HODGSON. I think you generally have assessed our position.

But specifically, we have said there are circumstances where we feel that special work projects can be created that would be useful and helpful. The characterization that we give to these is, No. 1, that they be special; No. 2, that they be temporary and constantly checked on to see that they are accomplishing what they are intended to accomplish, and that they can be helpful in strategic situations in moving people from welfare to work. But we do not think, as a broadly applicable concept, that we would want to use the approach that has been sometimes characterized as having a welfare job rather than a welfare check.

Senator HARRIS. Well, I would not want to do that either. But I would rather we would be realistic about the opportunities for work and try to expand those opportunities if we could, because I do not see how you are going to put that fellow to work over in eastern Oklahoma under your bill. I guess people are going to go home and say we are going to put all these welfare people to work as a result of this bill, but I have my doubts.

Secretary HODGSON. Well, we are not saying that, Senator.

Senator HARRIS. No, that is right.

I mean we are saying, that is what the public thinks.

Secretary HODGSON. Not that everybody is going to work under our bill. We are saying we are going to speed this process. We are going to provide the opportunities, and to the extent the opportunity exists, we are going to reinforce the ability to work by providing training, by having employment development teams in the employment service and in all the other mechanisms we have outlined for this committee. But this is not a 100-percent overnight remedy, and we would be remiss if we offered it to the American public on that basis.

Senator HARRIS. Right. You are going to try to get them to the opportunity, but not particularly expand the opportunity for work which now exists?

Secretary HODGSON. Well, we have to think that the private sector itself traditionally has been the place where that expansion has occurred and that is the place where we think in the future it will occur.

Senator HARRIS. But is it not true that the public service type jobs are the ones that are expanding most rapidly generally, and is it not true that we have personnel shortages in such fields as education and health and police work and rebuilding of cities and so forth, and would that not be a proper use of the public resources? At the same time people would be doing useful work and would be building toward long-range careers.

Secretary HODGSON. Well, some of these things you described are already being undertaken in our public service careers program; for instance, the increase in expenditure in vocational training by HEW in the medical field, that you have made reference to. So there is no question but what, particularly in the State and local world of employment, there has been a considerable expansion in the past couple of decades, and it remains a market for employment.

But there are a lot of other areas that do, too. The service sector has expanded rapidly. The construction sector looks to us to be an enormous area for expansion in the next 10 years.

So we think that there will be some expansion in this, particularly State and local public sector, but there will be enormous private expansion, too.

Senator HARRIS. Do you think you can put these people to work without reducing even prevailing wages in fields where the minimum wage does not apply?

Secretary HODGSON. We do not believe that the effect of FAP on wages is going to be substantial either way. There are some who feel that it might depress wages. There are others who feel that the level of support suggested in the bill may increase wages, raise the level. We do not really think that is the way the wage system in this country works and it will not be affected very much.

WORKING POOR

Senator HARRIS. How do you envision using the work requirement with respect to those who are already fully employed?

Secretary HODGSON. Maybe I do not understand your question.

Senator HARRIS. Suppose a fellow is fully employed but still—

Secretary HODGSON. He is a member of the working poor and not covered by this bill.

Senator HARRIS. But would he be covered by your bill?

Secretary HODGSON. There is no work requirement for the working poor.*

Senator HARRIS. What about the training and so forth, would he be required to train for a better job or will he have an opportunity to do that?

Secretary HODGSON. We are going to provide, 75,000 upgrading training opportunities in the first year for members of the working poor who would profit by that, but it is not a mandatory requirement.

Senator HARRIS. So a person who is already working, but a member of the working poor, would not be required to go into some other kind of job or training; is that correct?

Secretary HODGSON. We certainly do not expect to take him off of his existing job and ask him to undertake training in order that he get another one. That is not our intent.

Mr. Rosow. I might supplement there, Senator Harris, by pointing out that our data show that about 50 percent of the working poor change jobs during the year, and we would hope to intervene at the point when they are not employed. By virtue of the fact they are registered, we would have much more access to them.

Then there is also the possibility that we could refer them to better jobs that might be available since we would have access to their prior employment history and so forth.

But our training intervention would be when they are not employed, during periods of unemployment.

Senator HARRIS. That is all I have, Mr. Chairman.

Senator ANDERSON. Senator Curtis?

*See further Labor Department testimony addressed to this point on page 805ff.

INSTITUTIONAL TRAINING

Senator CURTIS. Mr. Secretary, the term "institutional training" has been used. I want to be sure I understand what that is.

Secretary HODGSON. It is not, as it might sound, training in a prison or something like that. It is a type of training that is done on the site of an institution that is established for training purposes rather than on the job, and on an employer's site.

Senator CURTIS. Then does it mean schools?

Secretary HODGSON. Primarily schools.

Now, there are special training centers that have been set up that are not called schools; they are called industrialization training centers, skill centers.

Senator CURTIS. Who runs those?

Secretary HODGSON. They are run by various different local action agencies, school systems of the counties and cities of the country, but they are not necessarily existing public schools. They are special schools that have been set up for this purpose.

Senator CURTIS. Do you utilize any existing schools?

Secretary HODGSON. Yes, many.

Senator CURTIS. What type?

Mr. LOVELL. Well, vocational schools and junior colleges. We purchase training capacity from existing high schools during the time the schools are not being utilized, and private schools as well.

Senator CURTIS. Do you have any idea about how many existing schools you have used?

Mr. LOVELL. I would say there is not a major area of the country where some form of the public education system is not being utilized under our manpower programs. Certainly no large outstanding metropolitan areas.

Senator CURTIS. What kind of a financial arrangement do you have with them?

Mr. LOVELL. There is a contract from the Department of Labor to the institution calling for the training of certain numbers of people in certain approved skills.

Senator CURTIS. How long do you send them to school?

Mr. LOVELL. It depends on the needs of the individual; up to a year.

Senator CURTIS. Up to a year?

Secretary HODGSON. Senator, we might respond to your earlier question about the number of schools a little more specifically.

Ten thousand public and private schools in round figures are utilized in institutional training.

Senator CURTIS. How many have you trained in institutional training?

Mr. LOVELL. Over the years, probably a million. That is a rough figure.

Senator CURTIS. That is over how many years?

Mr. LOVELL. Since 1963.

Secretary HODGSON. This type of training was given a great boost by the Manpower Development and Training Act in the early 1960's, as you can imagine.

Senator CURTIS. That act did not deal primarily with the poverty question, did it?

Mr. LOVELL. Not originally, although about 70 percent of the training under the act today is for people who meet poverty criteria.

Senator CURTIS. What kind of a financial arrangement do you make with a local or regional or State vocational school?

Mr. LOVELL. Under the Manpower Development and Training Act, under most of the manpower training programs, it is a contract for a year or sometimes just to perform certain services to train X number of people in Y skills, so it may last over a year, in fact, but—

Senator CURTIS. What does that cost per pupil per year, about?

Mr. LOVELL. Well, the average cost of the training is about \$1,000, and the individual trainee also gets an allowance, so it is about \$2,000 per person trained.

Senator CURTIS. And a million have received training in institutional—

Mr. LOVELL. I would like to give you an accurate figure for the record, Senator, but I do not think that figure is too far off.

(The material follows:)

Since the MDTA program became operational in August, 1962, a total of 1,425,400 persons have enrolled in both institutional and on-the-job training (total includes 1970 preliminary figures).

In institutional training programs alone, a total of 968,400 persons enrolled during fiscal years 1963-1970. Of the total enrolled, 626,700 have so far completed the training.

Senator CURTIS. Let's see, that would be over a period of about 8 years?

Mr. LOVELL. Yes, sir.

Senator CURTIS. Has it been about the same number every year or has there been a peak?

Mr. LOVELL. No, I think formal institutional training leveled off about 3 years ago and has been fairly level since that time.

Senator CURTIS. You say the payment to the school runs around \$1,000 per pupil per year. How much did you say the allowance to the trainee was?

Mr. LOVELL. The allowance to the trainee is about the same amount.

Secretary HODGSON. This varies remarkably.

Senator CURTIS. And he is required to pay his own room and board out of that?

Mr. LOVELL. That is money given to him for that purpose.

Senator CURTIS. Yes.

Secretary HODGSON. And transportation.

Senator CURTIS. And no one else pays it, the Federal Government does not pay it?

Mr. LOVELL. No; that is right.

Senator CURTIS. Does the Labor Department operate any training programs of its own?

Mr. LOVELL. No. We contract for it. We do not operate it ourselves directly.

Senator CURTIS. But these contracts have been in some instances with schools and individuals who were not already existing, operating in the training program; is that right?

Mr. LOVELL. Some of them are new institutions. Most of the contracts are with existing institutions.

Senator CURTIS. Now, the new institutions, primarily what do they train for, mechanical work?

Mr. LOVELL. It would vary with the area in which they are located. No money is given to an institution to perform training that has not been approved, and in order to be approved by the Department of Labor, it has to be for skills which are in demand in that area.

SOME FAILURES OF THE WIN PROGRAM

Senator CURTIS. Returning to something I asked about the other day, we were talking about the job bank. I agree that that is an important instrument in getting jobs and getting information to the people as to where the jobs are available. The job bank does not necessarily assist the training program, does it, other than it, by determining what is needed, what skills are needed?

Secretary HODGSON. It is a help in that way all right. But you are right. The job bank is part of one of the services that the U.S. Employment Service operates. So that it is not essentially a training device or a mechanism for training. It is in the labor market.

Senator CURTIS. Its value is in bringing the employer and employee together?

Secretary HODGSON. That is right, and together speedily.

Senator CURTIS. Since we discussed that the other day, the staff has checked into the situation at Baltimore because that is where you have a job bank and from the area in which it is able to make a contribution, it no doubt has. But here are some figures that the staff have come up with in reference to the WIN program in Baltimore. It started about 2 years ago and the statistics are available through April of this year.

As to those terminating from WIN programs, it is as follows:

In jobs at graduation, 288, and the average wage was \$1.95 for the State, but the dropouts, for 424. The staff further informs me that 1,673 people are currently in the WIN Baltimore training program, but almost 600 of these, of those, are awaiting actual training. Three hundred and twenty-three of the Baltimore trainees are employed in a trial work period, but only seven people are in on-the-job training. No people are on special work projects, and the other participants are in institutional training of various types.

Thus Baltimore seems to be fairly typical of the problem we are having with the WIN program.

Now, I might call your attention to this blue book, page 34—no, it begins on 33. This table would indicate that from October to December in 1969 there were 1,900 families added to the AFDC rolls in Maryland, and no cases closed because of participation in WIN.

Do you have any comment on that?

Secretary HODGSON. Well, the principal comment I have—

Senator CURTIS. On the Maryland situation.

Secretary HODGSON. Is that the number of people added to AFDC rolls has no relation to the number of people enrolled in WIN. They are added because of their eligibility for welfare. The WIN program takes those people who the respective State welfare agency feels might profit by the WIN program and refers those to the Labor Department for its attention. There is no relationship between the number of people referred to in the WIN program and the number of people participating in AFDC.

Senator CURTIS. Of course that would be true in column 1. But column 2 shows AFDC cases closed following participation in WIN, and for Maryland it is none.

Apparently the WIN program did not take anybody off the AFDC during those months.

Secretary HODGSON. It apparently did not during October-December.

Senator CURTIS. Do you have any comment about the number of dropouts?

Secretary HODGSON. Yes, we do. We talked considerably about that here the other day because dropouts are always a concern, whether it is in employment or whether it is in training.

I believe the figures we had here the other day indicated that dropouts for what are determined to be good cause, such things as moving out of the area, joining the Armed Forces, getting another job, something of this kind, were about three-fourths of those who were dropouts. The breakdown was something like this:

Eleven percent, moved from the area; child care not available, 10 percent; illness or pregnancy, 19 percent; other good cause reasons, 35 percent. But the number without good cause comes to 25 percent of the total.

Senator CURTIS. That would be primarily for some reason or other they did not want to go ahead, 25 percent?

Secretary HODGSON. Yes, for some reason or other, that is right. That is the figure as of March 31, 1970.

Mr. LOVELL. It is 8 percent of the total enrolled, 25 percent of those who dropped out.

Senator MILLER. I did not understand that. Would you repeat that?

Mr. LOVELL. The number who quit without good cause represent about 8 percent of those who have been enrolled in the program, but if you analyzed those who have dropped out, it represents 25 percent of those who have dropped out.

Secretary HODGSON. Senator Miller, what he is attempting to clarify is that my analysis was strictly of the dropouts, not of the total enrolled.

Senator CURTIS. That is all at this point, Mr. Chairman.

The CHAIRMAN (presiding). Senator Miller?

Senator MILLER. On that point, is there any differentiation between those who have no good cause and those who have a good cause as far as subsequent payments are concerned?

Do I understand when they drop out of job training, then this allowance for them stops, too? They need not be paid thereafter?

Secretary HODGSON. The training allowance, which is the element we control in the Department of Labor, stops. Then we transfer the information that they did drop out to HEW, and that is the end of our participation in the activity so far as the Department of Labor is concerned.

Senator MILLER. Is there any particular result from dropping out without a good cause as against dropping out for a good cause, looking down the road in future relations with the Department's program?

Secretary HODGSON. Do we have any information on that?

Mr. Rosow. I am sorry, Senator Miller, I did not hear you.

Senator MILLER. What I am getting at is, suppose this person goes into a job training program, and the Government goes to quite a bit of expense not only to enter into a contract for institutional training but for the allowance, and the program is supposed to go on for a year. After 3 months the person just drops out and there is no good reason at all.

Now, is all that money down the drain or is there any subsequent action taken?

Suppose that person comes back in after three more months and says, "Well, I made a mistake, I should not have dropped out and I want to start in again." What is the result of dropping out without good cause?

Mr. Rosow. Well, the first attempt on the dropout without good cause is for the Secretary of Labor through the local employment office to certify back to the welfare department in that city or that State this has actually occurred and the person should be taken off the welfare roll.

Senator MILLER. That the person should be taken off?

Mr. Rosow. Yes, if they did not continue training for good cause, then the penalty is for a reduction of their welfare payments to take this into account.

Senator MILLER. Are you talking about the bill or talking about present law?

Mr. Rosow. No, talking about present law.

Under present law it is the intent. Where it falls down is that the welfare departments do not follow through on this. In many cases what they do is reopen the file and they look at the case and they say:

Well, this person was not an appropriate person for referral in the first instance. The reason they did not complete the training is they have what we consider to be a justifiable reason, they were sick or illness in the family. There was something missing here that the Labor Department did not take into account.

They reclassify the case and lose it in the file.

Another factor is that under the WIN program many of the people who sign up are volunteers, they come in on their own, and when they drop out, the same penalty does not apply as to those who are mandatorily referred to the welfare department. So that there are many gaps in the present law between the two departments.

As Senator Talmadge pointed out this morning in his request for tightening this up, which has been as a result of our growth in administrative practice and proposal in the new law, both the Secretary of HEW and the Secretary of Labor appointed task forces to work on these problems jointly and in some of our visits in the States the manpower and HEW people have called attention to this dropping out without good cause.

Senator MILLER. I understand. I do not want to emphasize the importance that only 8 percent of the full amount dropped out for no good cause, but nevertheless, I think we ought to be interested in that 8 percent, too.

Secretary HODGSON. Of course. I want to emphasize one thing and it may not have been caught, a great many, if not most, of the participants in the WIN program do so voluntarily, not as a result of a mandatory requirement, you see, so that is a little different kind of

thing when a volunteer dropout and when somebody who is placed there specifically as a result of governmental action.

Senator MILLER. Well, it seems to me that is all the more reason why there should be a lower dropout rate in the case of the volunteers.

But the point I am making is, whether the dropout rate is 7 or 8 percent, I think we should look at it pretty carefully, and I am wondering if you have had any analysis made of the total number of those who have dropped out, who are under welfare, whose welfare offices have been notified, who have suffered a loss in welfare benefits under what your Department thinks should be the result as against those who have not because of the difference of opinion between the Welfare and the Labor Department.

Secretary HODGSON. Specifically, we in the Department of Labor have not because it has not been in our sphere of activity. It is one that, following some questioning here earlier, intrigued us; we plan to look into it.

Senator MILLER. Do you think that would be primarily HEW's sphere of influence?

Secretary HODGSON. Solely.

Senator MILLER. Sphere of responsibility?

Secretary HODGSON. Under current law, solely.

Senator MILLER. Thank you.

THE PRESENT UNEMPLOYMENT RATE

Now, following on the questioning of Senator Harris, Mr. Secretary, you gave an estimate or a "guesstimate" that the unemployment rate of 5 percent might show a little improvement along about the fourth quarter of this year. While I am a cautious optimist myself, I am just wondering whether we are warranted in being cautiously optimistic on that point when we realize the numbers of people in the Armed Forces who will be slated for discharge under what I understand to be the Secretary of Defense's plans, and also the numbers of civilians going off the payroll in various defense and space industries because of reductions in the appropriations for these activities.

There are people in ordnance plants, who were in ordnance plants, who are not working today because of the wind-down of the American participation in Vietnam, and these numbers run into the thousands and probably the hundreds of thousands. Taking that into account, does it not seem a little unrealistic to expect that while there may be an uplift in the economy and job opportunities are going to open up, that those are going to be offset by the numbers coming out of these other jobs, at least for a period of readjustment.

Secretary HODGSON. That is the reason why I feel kind of uneasy about any kind of crystal ball gazing.

In responding to Senator Harris, I was repeating the same testimony I gave at the Joint Economic Committee, and there following some intensive analysis, we had the feeling that the numbers of people being released from the armed services in excess of those entering are a significant number, that there is also a significant number that have been and will be leaving Defense and Defense-related jobs. But that the increase in the private sector, what might be called more peacetime level or type jobs, would exceed that and, as a result, would pick up

and there would be a pick up in the level of employment toward sometime in the fourth quarter.

Now, it is amazing what this economy of ours can absorb in the way of people sometimes. For instance, there were, during the year 1969, tens of thousands of people, even more than a hundred thousand, that left defense-related jobs over the number that were in those jobs at the outset of the year. There also were more people let out of the armed services in 1969 than entered it in 1969, and yet at the end of 1969 unemployment was lower than it was at the start of 1969. So it depends upon the substantial vigor and growth factor in the economy itself, how many jobs are available, and this is the thing that we are counting on to pick up toward the end of the year. But it is a guess and it would have to be indicated as such.

Senator MILLER. When you refer to the 1969 results, you are looking at the whole year?

Secretary HODGSON. Yes.

Senator MILLER. And when you talk about the fourth quarter, you are looking at only 3 months?

Secretary HODGSON. That is right.

Senator MILLER. And I am just wondering if we should not be regarding that with the thought that during the next year, rather than during one quarter, we can expect some improvement, because I can see quite a timelag in getting some of them employed during the period of readjustment.

In fact, some years ago, when we had hearings on the economy following the war, the economists who appeared before us were unanimous in the feeling that there would be a period of readjustment. Whether that is going to be 3 months or a year I do not know, but it would seem to me that caution would indicate that we ought to be careful not to just pinpoint this one quarter.

Secretary HODGSON. Well, I might be more certain with you if I were an economist; I am not. However, I feel that the thing that we discussed in the interchange between Senator Harris and me, that is that production picks up in advance of employment, is a reason for the kind of caution that you display; it does, and it probably will be some time after the production picks up that we will see a material increase in levels of unemployment.

But, we sense that production did pick up in the second quarter, we expect it to continue on through, and our estimate is probably in the fourth quarter that there will be some leveling off in improvement, but whether it is the fourth quarter of this year or the first quarter of next is a matter of judgment and a matter of estimate and to some extent guess, but nonetheless, just looking at previous circumstances and recoveries from slowdowns, this is our best guess as to how the thing is going to go.

Senator MILLER. I think the point I want to emphasize is that there are a number of people who are advocating large reduction in national defense expenditures, and it seems to me a little incongruous that at the same time they achieve some of this, that they then complain about unemployment which certainly, it would seem to me, is for a period of readjustment at least, the necessary fallout from what they have advocated in the first place.

Secretary HODGSON. There is no question that the more rapid, the more harsh, the more accelerated the reduction in defense expenditures, the more difficult problem we are going to have in the labor market.

Senator MILLER. Do I detect that while you are opposed to the idea of subsidizing the particular wages of a marginal employee in an industry or in his particular employment, you think that the same result can basically be achieved through Federal programs which are going to be calculated to get private industry moving in certain areas so that there will be a demand for jobs in order to carry out those programs?

Secretary HODGSON. Undergirding almost any analysis of the economic situation as it affects employment, there has to be, it seems to me, a conviction that the health of the private sector of the economy is the principal plus or minus factor on whether or not there will or will not be jobs and job opportunities, and this is one of the reasons why we feel that it is necessary to place such reliance on it.

Senator MILLER. Well, for example, it seems to me we can achieve the same result that Senator Harris appeared to be suggesting by authorizing some additional public works programs. I mean there are going to have to be more people taken on the payroll to carry them out and that will be done by private contractors.

Now, if you can achieve the result of putting people to work that way, is that not, if anything, better, at least it is equally as effective and probably better, than to come along and subsidize the particular wages in that firm.

Secretary HODGSON. If there are real jobs and in response to a real need, whether it is public or private, we are achieving our objective, are we not?

Senator MILLER. That is right, and it seems to me that generally we have followed the approach of encouraging, by Federal Government programs or other actions, private industry so that more jobs will be needed by private industry in order to carry out the overall economic objective, and that that has been our policy for a long time as distinguished from coming along and making a direct subsidy to our private industry to take people on their payrolls.

Secretary HODGSON. I suppose that is why four out of five jobs are in the private sector.

Senator MILLER. Yes; you have to look to the private sector.

NUMBER OF AFDC RECIPIENTS ENROLLED IN MANPOWER PROGRAMS

All right. I would like to ask you this: The Labor and Public Welfare Committee is considering comprehensive manpower legislation. What are the other manpower programs that we are considering?

Secretary HODGSON. Well, they have, as far as that committee is concerned. I am not sure, but let me say this: I am sure you know that just recently, of course, a very important, what we would consider a manpower bill, the new Unemployment Insurance Act, providing for its great broad coverage and greater expansion—

Senator MILLER. I am getting into the programs themselves.

Secretary HODGSON. Programs themselves?

Senator MILLER. Yes.

Secretary HODGSON. I see.

Senator MILLER. If you are not——

Secretary HODGSON. I will ask Mr. Lovell to respond to that aspect of it.

Senator MILLER. You can either do that or have Mr. Lovell furnish it for the committee. That would be all right, because I would like to have the programs that they are considering specified and how many AFDC recipients are currently enrolled in these programs by each program.

Mr. LOVELL. Senator——

Senator MILLER. Can you give us that information?

Mr. LOVELL. Well, let me make this one comment about it because the legislation that Senator Nelson and the committee are now looking at creates a number of new programs, new categories, and eliminates some of the old categories. So it would be very hard to tell what would happen under this new legislation that is being contemplated by the Nelson committee.

Senator MILLER. Well, perhaps you could give us the various programs and under another column the AFDC recipients currently enrolled. Then all you would have to put down is new programs.

And on the other programs we would know, and what I am trying to find out is this: Secretary Richardson was talking in terms of over a million available slots in these various programs.

Secretary HODGSON. That is correct.

Senator MILLER. And the question is, how many AFDC recipients are now involved in those programs?

Secretary HODGSON. Yes, sir; that we can give you.

Senator MILLER. That would be fine.

Secretary HODGSON. Any information on existing things you see we can give you, and give you with considerable accuracy. But estimates under a succeeding program breakdown different than is currently envisioned would be hard to do.

Senator MILLER. I understand. I do not want an estimate. I just want what is now the case.

Mr. LOVELL. OK.

(Information supplied at this point by the Department of Labor follows:)

NUMBER OF AFDC RECIPIENTS IN THE PROGRAMS IN THE MANPOWER BILL

Under the manpower bill, the Manpower Development and Training Act and title V-A of the Economic Opportunity Act (authorizing work experience and training) would be repealed. The activities authorized by this legislation, together with those provided for by title I-B of the EOA, would be incorporated in the Manpower Training Act. Title I-A of the EOA would be transferred to the MTA, placing the Job Corps under the Department of Labor, where it now is by delegation from the Office of Economic Opportunity.

The attached table compares total enrollments in the relevant DOL manpower programs with the number of public assistance recipients enrolled in these programs. Out of a total of 755,100 enrollees, 209,998, or 27.8 percent, are welfare recipients. We are unable to distinguish between "AFDC" and "general assistance" Welfare recipients except for the Work Incentive Program which is for AFDC recipients only.

Title V of the EOA, operated by HEW, was phased out at the time the WIN program became operational.

AFDC RECIPIENTS IN DOL MANPOWER PROGRAMS, FISCAL YEAR 1969

Program	Total enrollees	On public assistance	Percent of all enrollees
Manpower Development and Training Act:			
Institutional training.....	135,000	17,550	13.0
On-the-job training.....	85,000	4,250	5.0
Neighborhood Youth Corps:			
In school.....	133,700	44,567	33.0
Out of school.....	74,500	23,840	32.0
Operation Mainstream.....	11,300	1,921	17.0
New careers.....	3,800	1,330	35.0
Concentrated employment program.....	127,000	16,510	13.0
Job opportunities in the business sector.....	51,200	5,120	10.0
Work incentive program.....	80,600	80,600	100.0
Job Corps.....	53,000	14,310	27.0
Total.....	755,100	209,998	27.8

Senator MILLER. Then how does the WIN program mesh with these various programs?

Mr. LOVELL. We contemplate the WIN program, which is perhaps the most comprehensive manpower program that we have, as utilizing the resources developed by the other programs, adding to our total national capacity to deal with manpower problems.

Of course, how it ties in administratively will depend to some extent upon the legislation, but I suspect, along with Congress, that these acts cannot be carried on independently of one another and that to the extent possible, manpower services being carried out for family assistance recipients or AFDC recipients, will bear a close relationship to and have a full utilization of resources of other manpower programs. Our hope would be to tie them together.

Senator MILLER. It would be your purpose to see that the WIN program is carefully coordinated with the others?

Mr. LOVELL. Yes, sir.

Senator MILLER. Mr. Secretary, do you have any indications of which group is the most successful as trainees in the WIN program, AFDC fathers, AFDC mothers, or young people?

Secretary HODGSON. Basically it would be too early to tell.

Mr. ROSOW. There are not any distinguishable differences between men and women so far.

Mr. LOVELL. The youth are apt to do a little bit better as a result.

Secretary HODGSON. Do not really pay any attention, we feel, to the limited amount of data with the limited results we have had at the present time. It might very well be misleading.

For instance, the composition has changed even in the period of time the program has been in existence between these factors and what analysis we have made does not clearly distinguish any difference yet. What we are going to have to do is watch this and look at it on a longtime basis and see if there are any differences established and analyze them.

Senator MILLER. What you are saying is, you do not have any definitive facts now?

Secretary HODGSON. Yes.

Senator MILLER. Thank you.

The CHAIRMAN. Mr. Secretary, I could keep you engaged here for at least a half hour answering questions I have prepared with the help of our staff. But I think that we could get this information for

the record perhaps more expeditiously by simply submitting these questions to you and to your staff and asking that you provide an answer for them. In the event that that does not get us all the information that we are seeking, our staff will advise you what additional information we want, and that would, I hope, spare you having to come back for another session.

So if that is all right with you, I will submit these questions to you, and hope that this will be the last day we will have to interrogate you about your phase of this bill.

Secretary HODGSON. That is considerate of you, Senator, but we will respond expeditiously to your questions.

The CHAIRMAN. Thank you.

It may be that some of your answers might not give us all that we want and if that is the case we will ask you to provide further information so as to get all the help you can give us with regard to this.

(Questions and responses follow:)

LACK OF EMPHASIS ON THE ON-THE-JOB AND SPECIAL WORK PROJECTS

Question. Mr. Secretary, although the Committee on Ways and Means in its report on the legislation and the WIN program greatly emphasize the need to develop OJT and special work projects, your annual report states, "increases are planned for all components of the WIN program in fiscal year 1971 with major expansion in the institutional training, employability planning, job development, and follow-up components. Other components of WIN will also expand, but to a lesser degree."

Why don't you utilize on-the-job training? Of all the training methods available to you, this one is truly the most job related.

Response (combined): The number of WIN enrollees assigned to the OJT component is up from 172 in April, 1969, to 661 in April, 1970. Two States, West Virginia and California, account for one-half of all enrollees in WIN-OJT. West Virginia was the first to adopt this as a major training component. California has recently conducted special training for its WIN job developers and is reporting dramatic increases in OJT contracting. A recent report indicates that California negotiated 56 contracts in June for 75 enrollees while 108 contracts were signed in July.

The DOL proposes to build on the West Virginia and California OJT experience so that every WIN project has the capability to negotiate its own employer training contracts. The fact that the Employment Service in most States is now responsible for the new JOBS "Low Support" OJT should further stimulate acceleration in this area. Obviously, however, more needs to be done to stimulate the State ES agencies to make more extensive use of regular OJT, WIN-OJT, NAB contracted JOBS and NAB pledged jobs as work-training outlets for WIN enrollees. Specifically, we have taken the following steps to accelerate use of OJT for WIN enrollees:

1. HEW recently reversed its policy which considered unemployed fathers placed in OJT as being employed and therefore no longer eligible for welfare assistance. Thus, the unemployed father, as well as other WIN enrollees in OJT, is entitled to receive the benefits of the \$30 and one-third income disregard, or adjusted assistance payment if a budget deficit still exists, along with both manpower and social supportive services.

2. NAB contracted JOBS and NAB pledged jobs were opened up on a priority basis by policy decision of the DOL and a Directive was sent to all State ES agencies as of May, 1970. WIN enrollees were given the same priority as CEP enrollees in referral to NAB-JOBS opportunities.

3. All or most State ES agencies now have been given direct contracting authority for regular OJT programs. Training in the development of regular OJT contracts is now being given to all State ES agencies in a series of regional conferences.

4. 750 State ES Contract Services Representatives have been recruited and trained to promote and monitor NAB-JOBS and regular OJT contracts with

employers. This expertise is now being directed to support the OJT component in WIN as well.

5. These somewhat belated steps are an admission that we have not done all that we should have done to stimulate State ES agencies to make effective use of OJT in WIN. However, this is now being done and it is our projection that a larger number and proportion of WIN enrollees will be enrolled in the OJT component in the next few months.

6. FAP should also help to strengthen use of OJT components because the Administration proposal as now written provides that Family Allowance savings which result from OJT shall be held in reserve by HEW for use in cycling new OJT components for additional FAP clients who are registered for Manpower services and employability development.

1971 WIN APPROPRIATIONS

Question. Mr. Secretary, I understand that the House Appropriations Committee reduced the WIN appropriation request by about \$50 million for 1971.

What was the rationale for their action? Would you please tell us what you believe would be the significance of this cut to the WIN program if this cut is sustained?

Answer. The House Appropriation Committee in its appropriation bill has allowed centives, a reduction of \$19,493,000 below the budget request of \$92,750,000, and \$46,743,000 for child care, a reduction of \$30,507,000.

In recommending this allowance, the Committee report noted that \$50 million in the 1971 budget was for funding 1972 program costs. If the budget estimate is correct, the amount in the Bill (\$120,000,000) will fund 1971 costs, with costs incurred in FY '72 to be covered solely by FY '72 appropriations.

An approximate \$9,000,000 savings in FY 1970 well offset a portion of the \$19.4 million decrease for training and incentives, and it is anticipated that the 1971 program level of 125,000 man years can be accomplished within the House Allowance. The reduction in funds will require utmost cooperation between the Dept. of Labor and state agencies in allocating resources. Similarly, allocation of child care funds will have to be based on much more accurate estimates of individual and State requirements. The availability of funds to insure maximum flexibility and responsiveness to the WIN program in 1972 during this continued build-up period and transition to the Family Assistance Plan will be drastically reduced, however as result of the House reduction.

NUMBER OF TRAINEES IN FIRST YEAR

Question. Mr. Secretary, in response to a question raised by Senator Curtis, Mr. Rosow stated that 400,000 persons would be trained in the first year the welfare bill would be in effect. Previously, the Department of Health, Education and Welfare estimated that 225,000 persons would be trained.

Which is the correct figure? What portion of the total is for: On-the-job-training? Public service employment? Classroom training?

How many of the total will be fathers? Volunteer mothers? Mothers who do not volunteer? Others?

Answer. The estimate of 400,000 persons represents the total number to be trained in FY 1972 if the new welfare bill is in effect: 180,000 of these represent the level at which the WIN program is projected to operate in FY 1972; 225,000 is the number of additional persons who will be trained if the family assistance program is functioning.

We do not feel that it is desirable at this time to apportion the number of training opportunities among distinct program categories, in order to be responsive to local needs by funding the program mix which is calculated to move the most people off welfare into self-sustaining employment in each area. We prefer to wait until training needs are established locally on the basis of employment priorities and local employment potentials before determining which program approaches should be applied. However, it is our intent to set aside 150,000 places to mothers, both those who volunteer and those with children over 6.

Likewise, until enrollment priorities are set for specific geographic areas on the basis of client population, employment opportunities and relevance of different kinds of training, we are unable to estimate how many of the total 400,000 persons will be fathers, volunteer mothers, etc.

CONVERTING WELFARE TO WORKFARE

Question. Mr. Secretary, much has been made of the fact that H.R. 16311 will convert welfare into workfare. In looking through the background data provided to the Committee, however, I have serious doubts that this will be the case. For example, material supplied us shows that the number of persons in families receiving welfare will increase from 21.1 million in 1972 to 24.4 million in 1976—an increase of 3.3 million. At the same time other material furnished shows that the amounts spent for training and day care over the same 5-year period will remain constant, at a level of some 225,000 trainees per year. If my calculations are correct, this will mean that you will not be able to make a dent in the 14 million persons added to the rolls under the bill, let alone meet the increases that will occur over the 5-year period. I would appreciate your comments.

Answer. We anticipate that neither the amounts spent for training and day care nor the opportunities (slots) for these activities will remain constant over the next 5 years. The 225,000 training opportunities represent the first year level, and combined with the levels existing under the WIN program, total 400,000 training opportunities. However, we intent to expand that capacity year-by-year.

WAGE SUBSIDY FOR PUBLIC SERVICE CAREERS

Question. Mr. Secretary, how much wage subsidy are you paying under your Public Service Careers which you refer to on page 18 of your testimony?

Answer. Under the Public Service Careers program we have several different components. In these different components we pay varying amounts of wage subsidy. For example, in the New Careers program we pay 100 percent of enrollee wages for the first year, and 50 percent for the second year. After the second year the employer assumes all of the payroll costs. In the STEP program we pay 100 percent of enrollee wages; however, this is for a much shorter period—only a few months. In other PSC components we do not pay wage subsidies but the jurisdictions may be reimbursed for up to 132 hours of lost time from the job incurred by enrollees while they are participating in the program.

PLACEMENT OF WIN TRAINEES IN NEW PUBLIC SERVICE CAREERS PROGRAM

Question. Mr. Secretary, your Department has testified before another Committee that you are using your new public service careers program to provide job opportunities for WIN recipients. Would you please describe this program for us and tell us specifically how many WIN trainees have been and will be placed through this program?

Answer. The PSC program pays part of the costs of on-the-job training and intensive supportive services for disadvantaged workers hired by public agencies. It also helps to finance upgrading activities. The program has four categories and the concept of "hire now, train later," is central to all of them. In the first category, employment and upgrading in the State and local governments, disadvantaged workers are hired for existing entry jobs. Their salaries and fringe benefits are paid from the agency's regularly budgeted funds, while PSC funds cover the extra costs involved in removing the barriers to employment.

Under the second option, employment and upgrading in Federal grant-in-aid programs, the DOL negotiates agreements with other Federal agencies to build arrangements for PSC projects into their grant-in-aid programs. PSC funds the extra cost of removing barriers to employment.

New Careers in human service, the third PSC component, incorporates existing New Careers projects authorized under the EOA. Allowable costs are the same as in the original Schener New Careers program.

Entry employment and upgrading in the Federal service is the fourth PSC component. It focuses primarily on expansion of the Civil Service Commission's new worker-trainee supplement to the register of persons eligible for maintenance and service worker jobs. After successful completion of the normal probationary requirements, the worker, without having to pass further qualifying standards (except for postal jobs), becomes a regular employee of the agency where he works.

We have FY '69 data for the New Careers program, the only PSC component in full operation for the fiscal year. A total of 1,330 New Careers enrollees were public assistance recipients. This figure represents 85 percent of the total enrolled in New Careers for FY '69.

TRAINING WELFARE MOTHERS

Question. In testimony before the House Appropriations Committee in May, Congressman Flood asked whether you train domestics under the Work Incentive Program. Mr. Lovell, your Deputy Manpower Commissioner, answered: "Very few, very rarely. I don't think we ever placed a WIN person in domestic service." (Page 211 of House Appropriations Hearings).

But in a table you have included in your report to the Congress showing average monthly wages of graduates, one of the highest paid jobs for women employed through the WIN program is as domestics, with an average salary of \$2.21 per hour. Are we being realistic or sound when we keep insisting that jobs must have a "career ladder?" We have to face the fact that some of these people will never be able to climb a career ladder. Isn't it also true that compensation for non-status jobs is often more than the pay in some of the career ladder jobs?

Answer. Only a small percentage of WIN enrollees have been placed in domestic employment. In a survey of 4,788 employed WIN graduates, for the period January 1, 1969, through January 31, 1970, 26, or .5 percent of the total were in domestic employment. On the other hand, almost three-quarters of all women were employed in clerical and sales, and in service categories. We do not have specific information which would clarify the statistic you have referred to. However, our WIN program experience indicates that the majority of those placed in domestic employment have been placed either in institutional situations, such as hospitals or hotels, or they have gone to work under contract to employers operating cleaning services. This would account for the high salaries paid to persons in this job category. Only in rare instances have we found private household domestic employment paying wages of \$2.21 per hour, which amounts to \$88.40 for a forty-hour week.

In the WIN program, placement is determined by the employability plan but also by the opportunities available through the local job market. In many instances women do not take full advantage of training opportunities which would provide them with entry to career ladder opportunities because of their responsibilities to their families. This problem is closely tied to the availability of child-care services. Many times initial wage rates of a "non-status" job versus a career ladder job may be higher. Recognition must be given to the fact that although initially the non-status job may pay more, it does not offer the opportunity to advance or even to perform meaningful work.

SPECIAL WORK PROJECTS (PUBLIC SERVICE EMPLOYMENT)

Question. Mr. Secretary, present law places certain standards and restrictions on the setting up of special work projects of public service employment for welfare recipients under the Work Incentive Program. In the manpower provisions of the bill before us today, however, an additional restriction is included, namely that a special work project may be established only "if it will improve the employability of the participants." (Sec. 431 (b) (3) (E), page 5) of the revised bill.) Is this new restriction necessary, and might it not limit public service employment opportunities?

Answer. We believe that special work projects should meet real public needs and that the projects should be selected for as much training value as possible so that they will improve the employability of the participants. This new restriction in our judgment only serves to emphasize what good special work projects should do. A good special work project is a desirable device to provide work experience which will help people get real jobs in the future. We are creating these kinds of opportunities in the special work projects we are setting up under WIN. But we do think these special work projects should be temporary and that is the reason we have suggested that they be followed up every 6 months to make sure that we do not build in as an integral part of the American scene deadend jobs that get the kind of reaction the Nation got to WPA-type jobs.

FAP ON AN EXPERIMENTAL BASIS?

The CHAIRMAN. Now, there is one thing that I particularly would like to inquire about, and that is a suggestion by one of our members that before embarking on such a vast program as this might entail, that it might be desirable to try it on an experimental basis in the type

areas where you and the Secretary of Health, Education, and Welfare, with the advice of the White House, might feel that the program should work and should produce its best results. Perhaps you could also try out, if someone wanted to suggest, an alternative to see just exactly which would appear to be the best way to do this before we go into it with as much as a \$4 billion investment in trying to make it work.

Now, one reason that that was suggested, of course, was that our experience under medicare was that we found it was costing just twice what we thought it was going to cost once we put it into operation.

I know that you are enthusiastic for the program, your answers have indicated that. What is your reaction to the idea of trying this matter on a trial basis for a period of 6 months to a year before we go into the full funding of a \$4 billion program?

Secretary HODGSON. Well, designing a program is a little like designing a product. You have to decide how you are going to place your bets at some point along the line and, as you can well imagine, in the early discussion and development of this program, there was a great deal of consideration given as to whether the program ought to have been this or another program ought to have been tested or tried on some sort of a fractional basis. But our feeling was twofold: first, that reform is long overdue, and that a perpetuation of the existing approach to welfare was a miserable failure and that it would not take much to meet it; that we have had 35 years of this one and that we ought to get something else going, and that we had some experience with manpower programs, with existing welfare programs, which would point the way, point a direction that we felt would produce useful results.

Now, if in the administration of the program being proposed, it becomes obvious that improvements can be made, changes are desirable, obviously we will be back up here suggesting such improvement. But we think that the present situation is bad enough so it needs a massive change, that it is worth going ahead and taking what we believe is sort of a minimum kind of chance with a program that offers such obvious, in our judgment, superior features to the existing one.

So we just feel it would be temporizing to have test pilot programs at this time.

IMPROVEMENTS ON WIN PROGRAM NEEDED

The CHAIRMAN. Of course, Mr. Secretary, you come here speaking for the administration and have the President's backing, which is a very persuasive thing with any committee, it certainly is persuasive with me. I suppose I have about as much respect and high regard for the President as a Democrat can muster toward a Republican.

In other words, if you cannot produce any better results under the work incentive program, for which I had always had the hopes that you had for this program, if you cannot perform better than your predecessor performed on the work incentive program, then this is not going to be any reform. It is just going to be a matter of putting a lot more people on the welfare rolls, and that is where you are going to have to prove the case. The reform remains to be seen, whether you can put these people to work productively; do you not agree?

Secretary HODGSON. I realize you are putting it to us squarely, Senator, and we are willing to pick up the ball.

We do have to suggest, though we have learned some things in that program that give us confidence that we can, with the improvements suggested here, make a go of it; and, second, I was going to say we have incorporated now as a result of the suggestions made by this committee a great many changes in this bill which we think will be improvements, and that make this sort of thing worthwhile.

The CHAIRMAN. Well, I am sure you have been able to detect some of my thoughts on this matter just from some of the questions I asked.

Secretary HODGSON. Yes.

The CHAIRMAN. The thought that occurs to me is that if we simply went and took these cases where a man is working very hard trying to support his family or a mother is working very hard trying to support her little family or big family, as the case may be, and having great difficulty in not being able to earn enough to bring them out of poverty and to provide a decent standard of living, if we simply supplemented their wage by passing it through their employer to get it to them, that we would know then that the people we are helping are people who are working and we are actually getting these people to work.

I do not think anybody on this committee is going to quarrel for a moment with helping a disabled person, whether disabled because of old age or disabled because of mental incapacity or a broken body. In any event, there is no argument about that. We can all get together on that.

But when the objective is to make productive citizens out of people, and to provide a good example for their children, there is where we want to see better performance than we have seen under the Work Incentive program. So far we have not been able to see the evidence that is going to happen. That is what we would like to see.

If you could walk in here tomorrow and show us how through the work incentive program you are getting a lot more people to work, and it would have to be several times more than you have now, that would be accepted by the committee, I am sure of it.

Secretary HODGSON. We would like to do that, but it would be too soon even in the present program under its present form, be able to prove it conclusively one way or the other. But with its modified form we are confident we can improve it greatly.

The CHAIRMAN. Mr. Secretary, on Tuesday we are going to seek to obtain the testimony of those who have experimented with that type of program in New Jersey, and we will be asking them to come and testify for it and we would assume that perhaps would take 2 days, Tuesday and Wednesday, and then on Thursday I would want to schedule private witnesses, you might say—

Secretary HODGSON. Sure, I understand that.

The CHAIRMAN (continuing). Private groups who would testify in regard to this bill to move along with it. I hope we would have all the information I am requesting of you before that time.

CHILD CARE

One other matter I did want to ask about which is in these questions: It is pointed out that, many times by the Auerbach Corp. and others, one of our grave needs is additional availability of child care for working mothers. Have you had any additional thoughts to add to that?

For example, what is your reaction to my suggestion that you have that under a separate corporation with responsibility for nothing but child care work?

Secretary HODGSON. We do have some very strong feelings about the subject of child care, and I would say at the outset that improved child care will not only be a contribution to this bill and to making this bill work, but it is a contribution to many of the things that are going on in this country, the increased interest women have in the world of work, the increasing percentage of married women with children who are working.

There is no question that the life style of the women of this country is changing and child care becomes a pretty important aspect of that change. But getting back to the Family Assistance plan and more specifically to your suggestion, we feel that child care is going to have to be done probably in many different ways, in many different locations.

In some cases employers are going to want to establish child-care facilities. In some cases child care will be done, as we envision it, by private institutions who wish to do it as a traditional private enterprise venture and there will be various different combinations needed.

We would hate to put all our bets on one particular kind of arrangement, and so we think the problem is going to have to be answered many different ways and we just want to get on with it.

The CHAIRMAN. Thank you very much.
Senator McCarthy?

PERFORMANCE OF WORK TRAINING PROGRAMS

Senator McCARTHY. Mr. Chairman, I would like to ask the Secretary, what experience have you had with compulsory work? Have you administered any of these programs in the past or have you observed them in action?

Secretary HODGSON. The Work Incentive program is a reasonably new program to the Federal Government and to our Department. I came into office as Under Secretary in February 1, 1969, and have watched the development of the WIN program during that period, particularly some of the agonizing growing pains that it had initially.

It was not until we recognized that the program was not working effectively at State levels because of many different reasons that we established a separate task force to go out into the various different States where difficulties were being experienced. We used the results of that task force's work to improve the program. We started becoming satisfied that WIN was going to make and could make the contribution.

We are now satisfied it does and can. We are particularly convinced that with the improvement indicated in our bill over the existing WIN concept that it will be even more effective, and that we will be able to build from the present program into the new one.

Senator McCARTHY. You think that on the basis of your experience with the WIN program that you have some basis for expecting that what you recommend in this bill would be successful?

Secretary HODGSON. We have some basis for it. It is not a firm basis and it is certainly not the only basis. We are happy to have had this experience, we are happy to have had the learning that has gone into having this experience. If we had had to start out without having had WIN under our belts and the present stage of things, we would be starting from a lot farther back than we are, but we do not feel that all the hurdles and all the answers exist by any means in WIN.

WORKING MOTHERS

Senator McCARTHY. It looks to me as though the main thrust of what you propose now would come to bear upon potential working mothers.

In the WIN program that was not really the thrust, was it?

Secretary HODGSON. We thought it was.

Senator McCARTHY. Working mothers, yes?

Secretary HODGSON. Yes.

Senator McCARTHY. You think you have got what, 16 percent of them working who would not otherwise work? That 16 percent applied to working mothers and would apply to other people. Do you have the estimate of success? I think I saw a figure like that.

Mr. LOVELL. Yes.

Senator McCARTHY. That is overall?

Mr. LOVELL. That is in terms of those enrolled. Actually, the first year of the WIN program, Senator, the emphasis was on men.

Senator McCARTHY. Yes; that is what I thought.

Mr. LOVELL. And then as that group of available men dried up, women became a more dominant force.

Senator McCARTHY. Did it work or did it not work, or did they just lose interest in it?

Mr. LOVELL. I would say it represented as much a dropout as it did success.

Senator McCARTHY. So it is pretty much a projection in hope. You do not have any good experience on which to base it?

Secretary HODGSON. I wish I could simplify it by responding on a yes or no basis to that question.

We have hope, but we have hope based on; one, experience, modest though it is; and, two, improvements that are built into this bill over existing administrative and operating provisions. So it is more than just hope. It is a combination of modest experience, plus recognition that improvements were needed and have been incorporated.

Senator McCARTHY. Does the general level of unemployment have much bearing upon the success of these programs or are you generally preparing them for employment which is not really part of the significant economic effort?

Secretary HODGSON. There is no question that the general level of employment and unemployment has a great effect on not only this kind of manpower program, but any kind of program that involves job placement. And so we would want to say amen to that. It does have a very considerable effect.

Senator McCARTHY. Indirect?

Secretary HODGSON. Yes, sir.

SEASONAL WORKERS UNDER THE BILL

Senator McCARTHY. I have a question about what happens to seasonal workers who have seasonal income figured out on the basis of a 3-month average, about whether they are eligible or not: For example, a migrant worker or someone who works, like on a Maine potato farm or it could be a grain farm, somewhere for 3 months, with a wife and two children; he gets \$5,950 from May to October. The question is, what happens to him from October to May. Could he receive any federally-supported funds under this program?

Secretary HODGSON. You bring up the subject here that I do not think is always widely recognized, and that is the Family Assistance Plan does offer some very significant hope or help for the migrant worker, but I would like to ask Assistant Secretary Rosow to respond to your specific question.

Senator McCARTHY. You have a reference here in the bill which I think you know.

Mr. Rosow. Yes.

I think, Senator McCarthy, that the language of the bill tends to get income reported quarterly, but to look retrospectively and prospectively at the income question.

The person is required to state their total income over the preceding year average quarterly and their income anticipated for this coming year, so in the case of a seasonal worker, as your question specified, although it would show high earnings in one period, the people in HEW in looking at his eligibility would look at his earnings and assets for the total year.

Senator McCARTHY. They can spread it over the entire year?

Mr. Rosow. Yes, sir.

Senator McCARTHY. Even immediately, or would they have to wait a quarter before they could act on him?

Mr. Rosow. I am not precisely certain of that, but the intent would be to look at the full year's earnings and not to allow one quarter to distort it.

Senator McCARTHY. Thank you very much.

Senator WILLIAMS (presiding). Senator Miller?

Senator MILLER. I have a question, Mr. Secretary.

WORK REQUIREMENTS FOR WORKING POOR

I believe you say there would be no requirement for work in the case of the working poor. However, I can see a problem; suppose you have a member of the working poor who is working part time, and it is determined that that person could work full time if they had the incentive, what would you do in a case like that?

Secretary HODGSON. Let's see if I understand the circumstances. By part time you mean part time a day or a month rather than a part of the year?

Senator MILLER. Here is a person working 15 hours a week, and he seems to like that pretty well. But he is able bodied and he is in a position where he could work 30 hours a week or 40 hours a week. Are they going to just let him continue on 15 hours a week or are they going to have any incentive to make him work more?

Secretary HODGSON. Mr. Rosow is just itching to answer that question.

Mr. Rosow. I think we may have been a little quick, without intent to evade, when we said the working poor are registered and are not subject to the work test. They are subject to the work test in several ways.

In the first place, they have to register. If they should quit their job or in some way break their connection, they are under our referral process, we can call them in and refer them to a job if we know they stopped working. But to take your precise example of a man working 15 hours a week by choice, if we have a job for him available in that town in the employment service full-time to generate more income, he would be subject to the work test.

Senator MILLER. Now suppose you have somebody who is not working at all and because of the nature of his circumstances, his family situation, he really cannot work 40 hours a week, but he could work 15. What about a work requirement for a part-time worker?

Mr. Rosow. Well, I think we can allow this to take place in effect the way the employment service will make the referrals.

For example, we are encouraging and we would like to encourage part-time referrals for women, for example, where there is a child care problem or where part-time work makes more sense or where part-time work is a good way to phase into the labor market instead of attempting an abrupt change from a situation where it is very difficult to go to a 40-hour job, and I think there is going to be a mixture taking place between part-time job referrals and full-time job referrals.

Senator MILLER. Well, are you suggesting that we are saying that there will be a work requirement on a part-time basis if the situation indicates?

Mr. Rosow. Yes, sir.

Senator MILLER. And just as certainly, there would be a work requirement on a full-time basis?

Mr. Rosow. Yes.

Senator MILLER. Depending upon the circumstances?

Mr. Rosow. That is right. Depending upon the income generated and the overall economic effect that this would have. If it would tend to make the person less dependent on the system, the answer is yes.

Senator MILLER. And on family circumstances?

Mr. Rosow. Yes, sir.

Secretary HODGSON. You see, the bill tries to deal with the world of work as it is, and that is that some work is full time, some is part time, some is seasonal, some is off and on, and that you need some administrative flexibility in dealing with this kind of thing. But we do think the ingredients are there to deal with it along the principle of a person who works should be rewarded better than one who does not, and that the person who is not willing to work should not have welfare payments.

Senator MILLER. For example, I can see where a mother with dependent children might be very, very unhappy if she were required to take a 40-hour-a-week job at a particular time.

On the other hand, I can see where, in administering this, the field office might be able to persuade her that she is better able to take a 20-

hour-a-week job and get moving and that her family situation would permit a 20-hour-a-week job. This is getting into some fine points but, on the other hand, I think it is facing reality. And I understand now from Mr. Rosow's comments that there would be a work requirement in that situation within her capacity.

Secretary HODGSON. But I think it is also important to stress there is a work incentive in the fact if she does go to work, she keeps some of that money. There is not only the requirement there, there is the incentive.

Senator MILLER. Well, Mr. Secretary, you and I had a little go-around last week on this point and you emphasized the cash a little more than I would. I looked at the whole total benefits. But I just want to know about the work requirement feature of this and you have been very responsive on it, and I think the responses are at least what I would hope they would be.

Thank you, Mr. Chairman.

Senator WILLIAMS. Mr. Secretary, the Senate is supposed to vote very soon and, therefore, in line with the procedure of the chairman, I am going to submit some questions to you which I think you can furnish the answers for the record so we can perhaps close this out this morning as far as your Department is concerned.

(Information requested follows:)

LABOR DEPARTMENT FAILURE TO ESTABLISH ON-THE-JOB TRAINING

Question. Mr. Secretary, an interesting colloquy took place during the House Ways and Means Committee hearing on the bill. Congressman Gibbons asked how many of the 63,000 persons enrolled at that time in the Work Incentive Program were in on-the-job training. Mr. Rosow responded that there were 288 persons at that time in on-the-job training, and excused this minute number on the basis that welfare recipients first need extensive orientation and other prevocational training. I would like to quote Congressman Gibbons' response in full:

"I am not a novice in this field. I have been through this thing for 6 years and longer than that in the State legislature, and what you are telling me is just baloney.

"When are you going to get out and do some real honest-to-God on-the-job training? Congress can pass these laws, and give you the money, and we have given money under many programs to do this, but you don't carry it out.

"You want to set up a classroom, and these people have failed in classrooms before, and will fail again. It is not realistic.

"What can we do to make you do some on-the-job training? 260—something out of 63,000 is ridiculous. I have not found anybody in this whole Government bureaucracy that has not said on-the-job training is good, from the President on down, but we cannot get you to do it." (page 429 of the House hearings.)

Let me repeat Congressman Gibbons' concluding question: "What is the trouble?"

Response (combined). The number of WIN enrollees assigned to the OJT component is up from 172 in April, 1969, to 661 in April, 1970. Two States, West Virginia and California, account for one-half of all enrollees in WIN-OJT. West Virginia was the first to adopt this as a major training component. California has recently conducted special training for its WIN job developers and is reporting dramatic increases in OJT contracting. A recent report indicates that California negotiated 56 contracts in June for 75 enrollees while 108 contracts were signed in July.

The DOL proposes to build on the West Virginia and California OJT experience so that every WIN project has the capability to negotiate its own employer training contracts. The fact that the Employment Service in most States is now responsible for the new JOBS "Low Support" OJT should further stimulate acceleration in this area. Obviously, however, more needs to be done to stimulate the State ES agencies to make more extensive use of regular OJT, WIN-OJT,

NAB contracted JOBS and NAB pledged jobs as work-training outlets for WIN enrollees. Specifically, we have taken the following steps to accelerate use of OJT for WIN enrollees:

1. HEW recently reversed its policy which considered unemployed fathers placed in OJT as being employed and therefore no longer eligible for welfare assistance. Thus, the unemployed father, as well as other WIN enrollees in OJT, is entitled to receive the benefits of the \$30 and one-third income disregard, or adjusted assistance payment if a budget deficit still exists, along with both manpower and social supportive services.

2. NAB contracted JOBS and NAB pledged jobs were opened up on a priority basis by policy decision of the DOL and a Directive was sent to all State ES agencies as of May, 1970. WIN enrollees were given the same priority as CEP enrollees in referral to NAB-JOBS opportunities.

3. All or most State ES agencies now have been given direct contracting authority for regular OJT programs. Training in the development of regular OJT contracts is now being given to all State ES agencies in a series of regional conferences.

4. 750 State ES Contract Services Representatives have been recruited and trained to promote and monitor NAB-JOBS and regular OJT contracts with employers. This expertise is now being directed to support the OJT component in WIN as well.

5. These somewhat belated steps are an admission that we have not done all that we should have done to stimulate State ES agencies to make effective use of OJT in WIN. However, this is now being done and it is our projection that a larger number and proportion of WIN enrollees will be enrolled in the OJT component in the next few months.

6. FAP should also help to strengthen use of OJT components because the Administration proposal as now written provides that Family Allowance savings which result from OJT shall be held in a reserve by HEW for use in cycling new OJT components for additional FAP clients who are registered for Manpower services and employability development.

TRAINING OF PERSONS ALREADY EMPLOYED FULL-TIME

Question. Mr. Secretary, according to the material we have you anticipate training 225,000 persons a year under the bill. One-third of this number will be persons already employed. Does this mean you will be requiring 75,000 employed persons to quit their jobs in order to get into training so that they can get jobs after completing training?

Answer. No. The "working-poor" change jobs on an average of once every six months. Training will be provided in between change of jobs; i.e., when a person quits, is fired or laid off. An attempt will also be made to upgrade the working-poor on their present jobs.

WHAT HAPPENS TO PERSONS TRAINED BUT NOT PLACED IN EMPLOYMENT

Question. Mr. Secretary in the House Ways and Means Committee hearings on the Family Assistance Plan, Congressman Gibbons of Florida asked what happens to a welfare recipient who finishes her training but is unable to be placed in a job? I will quote Mr. Rosow's answer:

"After she completed the training program, she would lose the \$30 a month incentive payment, or any additional incentive that might be present in that State's manpower training provisions, and revert to just the basic family assistance payment." (Page 422 House Hearings).

In other words, if the training is unrelated to actual job opportunities in the area, the woman has simply been wasting her time and remains indefinitely on welfare. Shouldn't more effort be placed on job development to assure that employment will follow training?

Answer. The concept of employability planning in the WIN program requires that all training be job-related. The development of the employability plan is affected by resource availability, enrollee capability and interest, and the local job market. There should, then, be a job placement for all WIN and FAP enrollees who complete training.

We are increasing our emphasis on job development to assure our continued capability to place WIN and FAP graduates. The direction of the Employment Service has been to give employers evidence that the disadvantaged can be suc-

cessfully hired to the mutual benefit of both applicant and employer. This approach will be expanded and serve as the point for a concentrated drive to develop job opportunities.

Activities both underway and planned:

1. Expanded installation of the CMA model in which job developers as a part of the ES local office team find and develop openings for applicants.

2. By July 1, 1971, Job Banks will be operative in 81 of the larger cities. The Job Banks provide for central order taking referral and verification of placement under the administrative direction of the Employment Service. In addition, training opportunities, including institutional and OJT are also being included in the system. WIN and FAP will make maximum utilization of this system.

3. The revision of Defense Manpower Policy Number 4 (DMP-4) will increase job opportunities for the disadvantaged. Department of Defense figures show 388,000 new hires per year in defense related work under this program. Employers will be required to hire an average of 20% from among the disadvantaged.

4. The OJT and NAB—Jobs programs have been redirected to provide for more direct employment service involvement in the contractual development of On-the-Job training as well as in the referral and placement of workers in these programs. Both OEP and WIN programs have been given a 48-hour priority in referring clients to the NAB—JOBS programs; in addition, all NAB—JOBS Orders are being controlled and assessed through the Job Banks System.

BACK DOOR FUNDING FOR ON-THE-JOB TRAINING PROGRAMS

Question. Mr Secretary, there is a curious provision contained in section 449 on page 26 of the revised bill, which I hope you can clarify for us. This section provides back door funding for on-the-job training without the necessity of going through the appropriations process. The bill itself contains no limitation on the authorization for on-the-job training. My question is why do you need this additional backdoor funding section?

Response. The basic purpose of section 449 is to stimulate and promote the use of on-the-job training for family assistance recipients. The Department of Labor is very aware of the criticism that has been made of the lack of on-the-job training in WIN. This provision should go far to preventing such a situation under the Family Assistance Act because it creates a program incentive for on-the-job training.

In addition to this stimulus, the provision has a basic equity. When a Family Assistance Plan recipient receives institutional training, he receives his family assistance payment and the Labor Department pays him a training allowance in addition as an incentive. None of the family assistance payment is chargeable to the Labor appropriation. In the case of on-the-job training, however, the family assistance payment is reduced and the trainee's incentive comes from the earnings disregard. The reduction in family assistance payment is a direct consequence of the Labor Department's training program and it seemed to us equitable that this saving to the appropriation available for benefits should be treated as a credit to the appropriation available for training.

EFFECT OF UNEMPLOYMENT ON OEO INCOME MAINTENANCE EXPERIMENT

Question. The effect of unemployment on an income maintenance program for the working poor, such as we have in the Family Assistance Act, is, of course, of great concern to us in considering the cost of the program and the numbers of persons who might be eligible for it.

Would you tell us, please, what the effect of rising unemployment has been in regard to the families who are in the OEO guaranteed income experiment in New Jersey?

Response. The unemployment rate in New Jersey did not begin to increase significantly until May and June of this year. Due to lags in data processing, the immediate demands of administering the program, and special efforts in connection with the General Accounting Office study of the Office of Economic Opportunity's report, "Preliminary Results of the New Jersey Graduated Work Incentive Experiment," data analysis has been limited to information available up to March of this year. Up through that time, there had been no significant change in the employment patterns of those in the experimental and control groups. By the end of this year, sufficient data may be accumulated to permit meaningful analysis of the effect of current increase in the employment rate on families in the experiment.

Senator WILLIAMS. There are just a couple of points and I think you can clear them up. It is my understanding that your Department is willing to accept the analysis of this bill as presented by the Secretary of HEW within those charts and you are not submitting any charts of your own.

Secretary HODGSON. We do not plan to submit any charts.

Senator WILLIAMS. That is my understanding.

THE NEW JERSEY EXPERIMENT

The question the Senator from Louisiana asked—and I might say I am glad to know we do not have to go reviewing through another set of charts here—the chairman mentioned the feasibility of this on an experimental basis. If I am correct, there has been one experiment now in New Jersey.

Are you familiar with the results of that experiment?

Secretary HODGSON. Yes, I am generally familiar with it and I was delighted to hear that, because we consider the results to be heartening, that you as a committee are going to hear from those who are directly involved in it. It is a good idea because the results appear to us to be of such a nature as to boost our conviction that this is a good plan.

Senator WILLIAMS. Whatever the results would be, you feel should be looked upon and considered by this committee and will be no doubt, as one of the determining factors in making up our minds, formulating our opinion, as to whether or not this is a workable program?

Secretary HODGSON. I certainly think you ought to get every bit of information you can that will bear upon the possible success of this program. The experiment in New Jersey is, as you can tell from the size of it, a very modest experiment. It is a hopeful one, but I would consider both the size and its results.

Senator WILLIAMS. But it is your understanding the results were satisfactory and that was a part of the premise upon which this plan before us now was advanced; is that true?

Secretary HODGSON. It is part of the basis on which we are supporting it enthusiastically as we are.

Senator WILLIAMS. Well, we are looking forward to getting a little more detailed report from the Department which conducted that. They will come before us.

FAILURE OF THE PRESENT WELFARE SYSTEM

Now you mentioned in your earlier comment that one of the reasons you felt we should move forward full steam ahead was that reform was so essential in the present welfare program, and I think you characterized it as a miserable failure, and I agree with you to that extent.

But what concerns some of us is the statement that has been made to the committee that not a single recipient anywhere in America gets any reduction or correction in the program as it is being administered to him now.

Mr. LOVELL. No, no.

Senator WILLIAMS. If there is a difference in opinion, we would like to get it.

Secretary HODGSON. There is a difference, but it is a difference in degree. There have been several hundred lopped off the rolls. But it is not anywhere near the size of numbers that somebody just looking at the figures might think would occur.

Senator WILLIAMS. I am not speaking about the experiment, I am speaking about the welfare program, in general, our existing welfare program in general.

Secretary HODGSON. I see.

Senator WILLIAMS. That is what I am speaking of.

Mr. LOVELL. The figures that were quoted were one quarter for Maryland.

Secretary HODGSON. One quarter, one State.

Senator WILLIAMS. I think you are talking about something else. I am speaking about the welfare program in general, and the whole family assistance plan is to replace the welfare program.

Secretary HODGSON. You are talking about the growth of the welfare class as a whole?

Senator WILLIAMS. That is right, the whole AFDC program which, I think, you characterized as a miserable failure today, and I agree with you.

But when we move into this bill and call it a reform bill, the point I am making is that we have been told is that not a single present welfare recipient in any of the 50 States will get any less under this bill than he is now getting, and if that is true, is it not reasonable to assume that we are freezing into the law all of the miserable inequities that are in the present system?

Secretary HODGSON. If we did not have some provision for thawing him out of it as well as freezing him into it, then you might come to that conclusion. But it is what we consider to be the movement from welfare to work feature of this bill that is the really saving grace.

Senator WILLIAMS. I agree with the editorial comment as far as the work incentive, and I do not question that that is presented with good intentions, and it may work. But again, getting back to our experience, many of us who supported the previous WIN program, work incentive program, have been very much disappointed in the results.

For example, we were told here that our of 8,100 persons who refused without good cause to participate in the WIN program, only 200 of the cases were terminated from welfare.

There was the authority in that previous law where they could have been terminated; I will not say that all of them should. That is only about a 2 percent result of those who flatly refused, and it is this lack of administration, of effective administration of the existing law that raises questions in my mind whether they will be any more enthusiastic in administering this program merely because it is a new law.

Secretary HODGSON. We have tried to suggest that there will be more effective administration as we pointed out, in a couple of different ways. No. 1, the new law clarifies the responsibility.

And No. 2, the responsibility comes out of the Department of Labor and it would not be fussed up, we feel, by different concepts in different States because it will be a more uniform Federal concept. We believe that from the things that we have learned under the existing program, the existing WIN program, we have incorporated improvements to make sure the FAP works better, this is one of them.

Senator WILLIAMS. Well, I agree, I think it is a better suggestion that this bill be put under the jurisdiction of one agency.

But despite the fact that it was a split division before—the jurisdiction of the enforcement provisions were divided between Labor and HEW—these are the same two Departments which are here again praising this one so enthusiastically. While it was a divided responsibility, it was also a joint responsibility and to agencies could have done a better job had they so desired.

Secretary HODGSON. Well, there was, just to clarify, no enforcement role in the Department of Labor at all before. There was a role for HEW in this, but it was a role that was done through the States, and that is the reason there was the opportunity for the widely and wildly different performances around the country.

Senator WILLIAMS. Well, I will admit that some of it was because of the States, but still it gets back to the Federal Government. It could have participated on the basis of John Doe in the States and it could, and we have heard of instances where HEW had told the State it would not participate in a program unless—

Secretary HODGSON. I would agree with you.

Senator WILLIAMS. So had it been there, the will to enforce some of the similar laws by withholding funds, Federal participation—

Secretary HODGSON. We are getting now an express of the will of Congress in this bill.

Senator WILLIAMS. No; I am speaking of the will of the Department at this particular time.

Secretary HODGSON. I understand. But the new bill will be different because of that.

MANPOWER TRAINING PROGRAM BILL BEFORE CONGRESS

Senator WILLIAMS. Now, this was referred to briefly: The Senate Labor Committee has recently reported out a bill, S. 3867, which I have not fully analyzed but I am sure you have, because it affects your Department. It is a rather massive work training program and, as I understand it, it provides Federal funds with which to furnish jobs and city and State payrolls and Federal payrolls.

Has your Department been asked for a recommendation or endorsements or objections to that bill and, if not, I am asking you for your recommendations now.

Secretary HODGSON. All right.

We sent up our own bill in this sphere, which we feel is infinitely superior and would serve what we consider the purposes of the manpower program better than the bill that has been reported out which contains, as I say, a public employment program that is beyond what we would conceive as necessary or desirable, and which contains continued categorizations for funding of manpower programs that we also think are undesirable.

There are some other features of it that we would also not wholly favor. There probably is some of it that we do favor, but specifically the ones you mentioned, the sizable public employment program envisioned by that is larger than we would consider desirable or necessary.

Senator WILLIAMS. Could you just summarize that briefly and tell me whether you object to the bill's enactment or whether you favor its enactment?

Secretary HODGSON. We object to the bill in its present form.

Senator WILLIAMS. You object to the bill in its present form and you recommend that it be defeated either in the Congress or vetoed by the President?

Secretary HODGSON. I think that is implicit in our dislike of it.

Senator WILLIAMS. Now another question on that: How would that relate to this manpower training under this bill?

Will that not have to be considered as a part of this bill, that is, we take into consideration in this bill what is done in that connection?

Secretary HODGSON. We would hope that the Congress would take into consideration when it goes forward with manpower legislation the effect of that legislation on our role in the family assistance plan.

The principal way that it could take that into consideration constructively would be to provide maximum flexibility through noncategorization of funds for the Department of Labor in its conduct of its manpower program. So we would hope that if this bill or some other bill is considered that the Congress would be particularly sensitive to this matter of decategorizing of funds so they can be spent in a way that will be most effective, as times differ and as locational needs differ.

Senator WILLIAMS. I appreciate that answer. But I was not asking you to get into the jurisdictional problem here of whether that bill should be a part of this or under the Labor Committee or the Finance Committee.

The point I was making is that whether it come out of that committee or not, must be taken into consideration by this committee as we move forward on that phase of that bill which deals with a similar or same subject.

Secretary HODGSON. I certainly agree with that.

Senator WILLIAMS. I have no further questions.

FAILURE TO REGISTER

Senator MILLER. Mr. Chairman, I have one further question. I am referring to pages 160 and 164 of the Green committee print, Mr. Secretary, pages 160 and 164. I want to ask a question about mechanics.

Starting down at the bottom of 163 and going on to 164, in the case of registration, if there is refusal to register it refers you to page 160 and indicates that the Secretary of Health, Education, and Welfare apparently is the one who determines failure to register; is that correct?

Mr. LOVELL. The individual has to register first.

Secretary HODGSON. We do not enter until he registers.

Senator MILLER. This is HEW's jurisdiction.

Further down 164, it relates to refusing to accept employment, and it apparently gets the Secretary of Labor in the act, and the Secretary is supposed to determine whether there was a bona fide offer of employment. That is correct; is it not?

Secretary HODGSON. That is correct.

Senator MILLER. What happens at that point, does the Secretary of Labor, if he determines that it was a bona fide offer of employment,

then notify HEW so that HEW will be the action agency in cutting him off from the family assistance?

Mr. Rosow. That is right. But it is automatic, Senator Miller.

HEW has no jurisdiction at that point except to enforce the decision of the Secretary of Labor.

Secretary HODGSON. It is a mechanical thing.

Senator MILLER. So the determination, on the offer of employment when it is made and transmitted to HEW, it is automatic?

Secretary HODGSON. That is right. We make the determination.

Senator MILLER. No discretion in HEW at all?

Secretary HODGSON. No.

Mr. Rosow. No, but there is a provision for, a 90-day period for a hearing if he asked for a hearing with the Secretary of Labor; if the decision of the hearing is adverse, that concludes the decision on that case.

Senator MILLER. Thank you very much.

Senator WILLIAMS. Under the previous order, the committee stands adjourned until 10 o'clock Tuesday.

(Whereupon, at 12:10 p.m., the committee adjourned, to reconvene at 10 a.m., Tuesday, August 18, 1970.)

THE FAMILY ASSISTANCE ACT OF 1970

TUESDAY, AUGUST 18, 1970

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 2221, New Senate Office Building, Hon. Clinton P. Anderson, presiding.

Present: Senators Long (chairman), Anderson, Byrd of Virginia, Williams of Delaware, Bennett, and Jordan of Idaho.

Senator ANDERSON. The committee will come to order.

THE NEW JERSEY EXPERIMENT—PRESENTATION OF OEO

This morning the committee will hear from Mr. Wesley Hjernevik, Deputy Director, Office of Economic Opportunity, and John O. Wilson, Assistant Director for Planning, Research, and Evaluation, of the Office of Economic Opportunity. Mr. Wilson will discuss the New Jersey income maintenance experiment. This experiment has sometimes been described as foretelling the success of the family assistance plan.

The committee will also hear from Mr. Keith Marvin, Associate Director of the Office of Policy and Special Studies of the General Accounting Office. The Comptroller General has investigated the New Jersey project and has criticized tentative conclusions which the Office of Economic Opportunity has drawn from the experience.

I believe it would be wise this morning for Mr. Wilson to complete his statement and then allow Mr. Marvin to present his statement before Senators begin their questions. In this way, I think we will have both sides of the matter in mind.

STATEMENT OF WESLEY L. HJORNEVIK, DEPUTY DIRECTOR, OFFICE OF ECONOMIC OPPORTUNITY, ACCOMPANIED BY JOHN O. WILSON, ASSISTANT DIRECTOR FOR PLANNING, RESEARCH, AND EVALUATION, OFFICE OF ECONOMIC OPPORTUNITY; DAVID KERSHAW, PROJECT DIRECTOR, MATHEMATICA, INC.

Mr. HJORNEVIK. Mr. Chairman, it is a pleasure for the Office of Economic Opportunity to appear before this committee to review information on the New Jersey income maintenance experiment. Our principal witness will be Dr. John O. Wilson, who is Assistant Director of the Office of Economic Opportunity for Planning, Research, and Evaluation, and we also have with us Mr. David Kershaw, who is project director of the New Jersey experiment. Dr. Wilson has a statement to make.

Dr. Wilson.

Mr. WILSON. Mr. Chairman and members of the Senate Finance Committee, with your permission I would like to submit my written testimony for the record and simply describe the New Jersey work incentive experiment, or New Jersey experiment as it is commonly referred to. With the use of a few charts I think I can clearly convey the message of this project and with your permission I would like to submit my written testimony for the record.

Senator ANDERSON. Without objection it will be done.*

Mr. WILSON. I have included copies of these charts for each of you in the hand-out material.

I am a native of Missouri, which is known as the "Show-me" State, and that is the principle I would like to follow today.

I want to show you everything that I possibly know about the experiment.

The Office of Economic Opportunity has absolutely nothing to hide in the New Jersey experiment. In fact, it would literally be impossible for us to hide anything even if we wanted to. The experiment itself is viewed as a landmark in social science research. It is the first large-scale totally designed social experiment ever conducted in this country. As the first social science experiment ever conducted in this country, it has been subjected to more examination during the whole process of the experiment—it is not concluded as of yet—than any other research activity that I know of.

What type of critical scrutiny has it been exposed to? I think this is important to realize that this project has been exposed to intensive examination. Major presentations along with critical discussions have been conducted at professional meetings starting over 2 years ago, in April 1968, at the Midwest Economic Association. The discussions have continued at the National Econometric Society, American Economic Association, the American Statistical Association, and the American Philosophical Association. And indeed these discussions are continuing, because similar presentations along with critical reviews are going to be held at the American Sociological Association local meetings this September and also at the American Economic Association meeting this December.

Other discussions and presentations have been held at such universities as the University of Chicago, Harvard Business School, Yale University, Northwestern University, University of Minnesota, Institute of Defense Analysis, MIT, and Stanford.

In addition to these open discussions concerning the design and purposes of the experiment, a very thorough analysis was made of the experiment by Prof. James Tobin, professor of economics at Yale University, last spring, the spring of 1969. Professor Tobin is a former member of the Council of Economic Advisers under President Kennedy.

Currently Prof. Jacob Mensor of Columbia University, a professor of economics at Columbia, has undertaken a very intense analysis of

*See p. 918.

the project and he will be making a report to the American Economic Association meetings this December.

In addition, GAO has looked into the experiment, as we are aware.

We feel that by subjecting the experiment to continued professional exposure we have prevented any major problems in the project and it has indeed been exposed to this type of analysis.

Now, with your permission I would like to turn to the charts and if you will remove the first one, Fred, there are four topics I would like to discuss.

(The chart follows:)

THE NEW JERSEY GRADUATED WORK INCENTIVES EXPERIMENT --

- * PURPOSE OF THE EXPERIMENT

- * DIFFERENCES BETWEEN NEW JERSEY AND THE FAMILY ASSISTANCE ACT

- * DESIGN OF THE EXPERIMENT

- * PRELIMINARY RESULTS OF THE EXPERIMENT

CHART 1

Mr. WILSON. The first is the purpose of the experiment, the second is difference between the New Jersey experiment and the proposed family assistance act; the third is the basic design of the experiment; the fourth is the preliminary results which we have attained thus far.

The experiment is being conducted in four cities in New Jersey and one in Pennsylvania. It was initiated in Trenton, N.J., in August of 1968. In Trenton it is now two-thirds completed. It was then introduced into Paterson and Passaic, N.J., in February 1969, and it is now one-half completed in those two cities. We then introduced it into Jersey City, N.J., in June of 1969, and into Scranton, Pa., in September of 1969, and in the latter two cities we are about one-third completed.

So it is occurring in five different cities. These are the only five that will be included in the experiment. It involves making payments to 1,359 families divided into families who receive payments totaling

727, and a control group of 635 families who receive no payments and against which we make comparisons of behavior among the experimental families. So basically we have 1,300 families almost somewhat equally divided into what we call an experimental group, those receiving payments, and the control group, those who do not.

The purpose of this experiment was to test the impact of a work incentive program on urban employable male-headed families of different ethnic origins and low educational attainment. So it is an urban experiment and it is predominantly male-headed families.

Senator BENNETT. The word is employable and not employed?

Mr. WILSON. The word is employable. Ninety-two percent of them were employed.

Senator JORDAN. Predominantly male. Did you have any female-headed families in the experiment?

Mr. WILSON. No, sir, predominantly male-headed.

Senator JORDAN. Altogether male?

Mr. WILSON. We had a few female, but the majority by far, well over 90 percent were male-headed.

Why did we look at this group?

The basic problem we are trying to address is: If you start making work incentive payments to men who are employed or employable, pretty much full time, will they reduce their work effort? This is the major question from a cost point of view.

We can fairly well cost out how much the cost would be to transfer payments to female-headed families who are not working or to others who are not working; but to those who are working, when you give them an income transfer, how much will they reduce their work effort? So for example, we could hypothesize that if we could offer an individual \$50,000 of income in a year, he would probably substantially reduce his work effort. We could reduce the income supplement portion to \$40,000 a year and indeed I would hypothesize he would still substantially reduce his work effort. However, when you get down to \$3,000 a year or \$2,000 or \$1,000, will there be a decline in work effort if you have a work incentive program? Will recipients significantly reduce their work effort and thus increase the cost of a proposed program such as the one we are running in New Jersey?

Trying to get answers to these questions dictates the characteristics of the participants. They are 100 percent urban, 100 percent male-headed families, 92 percent employed, 36 percent black, 36 percent white, and 28 percent Spanish-speaking, and 61 percent did not graduate from high school. These are the characteristics of the total 1,359 families that are contained in the experiment.

What is the difference between the family assistance plan and the New Jersey experiment?

As the Secretary of Labor stated in his testimony, I think the main features of the family assistance plan are listed on the left-hand side of the chart.

(The chart follows:)

A COMPARISON OF FAP AND NEW JERSEY

<u>MAIN FEATURES</u>	<u>FAP</u>	<u>NEW JERSEY</u>
WORK INCENTIVES	X	X
INCOME ALLOWANCES	X	X
WORK REQUIREMENTS	X	
TRAINING AND EMPLOYMENT PROGRAMS	X	
CHILD CARE FOR WORKING MOTHERS	X	
WORKING POOR ELIGIBLE FOR BENEFITS	X	X
URBAN	X	X
RURAL	X	
NONWORKING POOR ELIGIBLE FOR BENEFITS	X	

CHART 2

Mr. WILSON. It entails a work incentive which exists in the family assistance plan and is in the New Jersey experiment. By work incentive, I mean that we have a tax rate or reduction in benefits less than 100 percent per dollar of earnings. In fact, in a minute I will point out we have three different benefit reduction rates in New Jersey—30 percent, 50 percent and 70 percent.

We make income allowances in New Jersey as also proposed in the family assistance plan.

It is important to note there are no work requirements in New Jersey. There are no training and employment programs nor child care for working mothers in New Jersey. All of these, of course, are a very integral part of the Family Assistance Plan. Thus we have no real strong work requirements, training and employment programs, or day care services in New Jersey such as those proposed in the family assistance plan.

In New Jersey experiment makes payments to urban working poor who are eligible for benefits. The family assistance plan also makes payments to the working poor in the rural as well as urban areas and to the nonworking poor eligible for benefits.

I think it is important we realize that the New Jersey experiment is probably a cousin to the family assistance plan. It is not like a husband and wife relationship. It is not an identical twin of the family assistance plan. It indeed has the four similar characteristics that I have described. It does not have the other characteristics that the family assistance plan contains.

The next chart displays possible alternative work effort behavior. (The chart follows:)

ALTERNATIVE WORK EFFORT BEHAVIOR

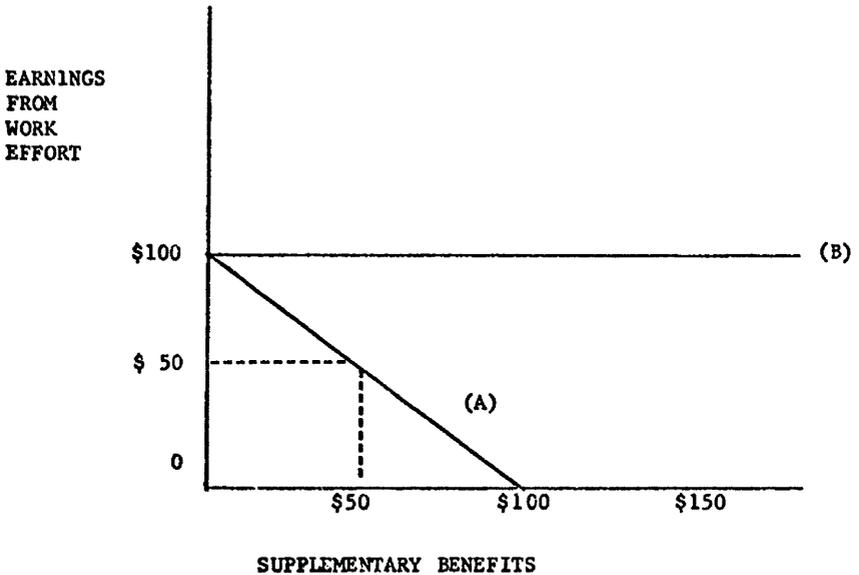


CHART 3

Mr. WILSON. The basic issue that we wanted to find out in the New Jersey Experiment was whether the behavior of an individual receiving benefits would be like Line "B," in which case the amount of work effort as measured, say for example, by earnings, would not decline with levels of supplementary benefits. So if we look at Line "B," we see if the supplementary benefits are \$50 a week, the amount of earnings as a measure work effort does not decline. If it is \$100 a week, it still does not decline if it is \$150 a week it still does not decline. That is one hypothesis you can make.

Will an individual on the average in this Nation under a New Jersey type work incentive program behave like *B* and not reduce his work effort; or will he behave like line *A*, which shows a \$1 trade off in work effort for every \$1 of benefits received. In this latter case, if a man is initially earning \$100 a week, and then he comes under the New Jersey type program and receives \$50 a week, he will reduce his work effort to \$50 a week.

Now, of course, we know that each individual on an individual basis cannot reduce his work effort in quite that pattern; but from a policy point of view, the question is to what extent is his work effort reduced?

What we wanted to find out was whether in reality these families behaved in between line *A* and *B*. In other words, was there a 10-percent reduction in work effort for a dollar transfer of income, or was it 12 percent? We didn't know and no one else did. To get information on this we tested—arc testing—eight different programs.

(The chart follows:)

EXPERIMENTAL GROUPS

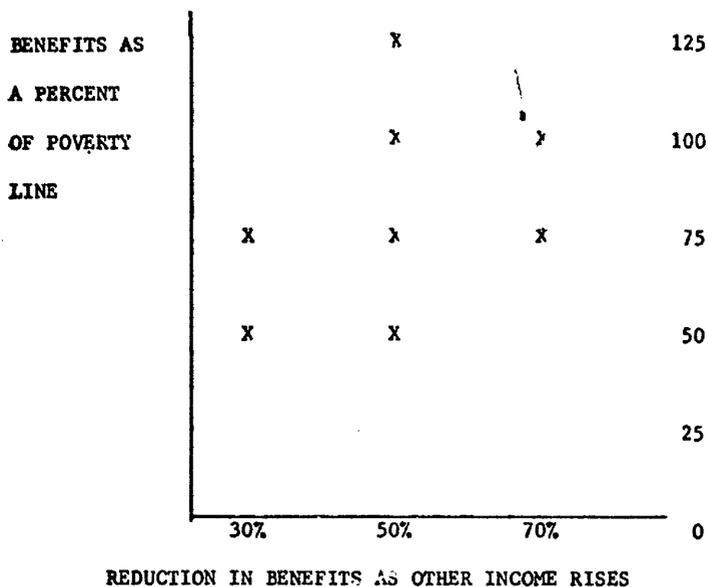


CHART 4

Mr. WILSON. All of these programs are quite similar in the fact that they contain a work incentive and an income supplement. They differ in degree, only with respect to the level of benefits and the benefit reduction rate. So, for example, on a 30-percent benefit reduction rate, we reduced the benefits 30 percent for every dollar of earnings. We have four guarantee levels; 50 percent of the poverty level, 75 percent of the poverty level, 100 percent of the poverty level, and 125 percent of the poverty level.

Under our 50 percent benefit reduction rate we have a 50-percent, 75-percent, 100-percent, 125-percent guarantee level, as you see, and under the 70-percent tax rate, 75- and 100-percent guarantee level.

The idea is that we wanted to test a wide range of alternative different programs that are very similar in their basic nature; that is, work incentives plus income supplements.

We want to be able to determine if there was a difference in behavior between a person under, say, a plan with a 50-percent tax rate and 50-percent guarantee level as opposed to 100-percent guarantee level and 50-percent tax rate.

In the data that has been provided to this committee and to Congress, we have tried to measure work effort by looking at a person's change in income, weekly income measured in the same way that we do for the Bureau of Labor Statistics and the Bureau of Census.

We go around and survey the people who are participating in this experiment every 3 months. We obtain an amazing amount of data in this fashion. Among many other questions, we ask them what their

weekly earnings were for the previous week. In this manner, we can compare initial weekly earnings with current weekly earnings, using for example, \$25 income categories.

MEASUREMENT OF WORK EFFORT

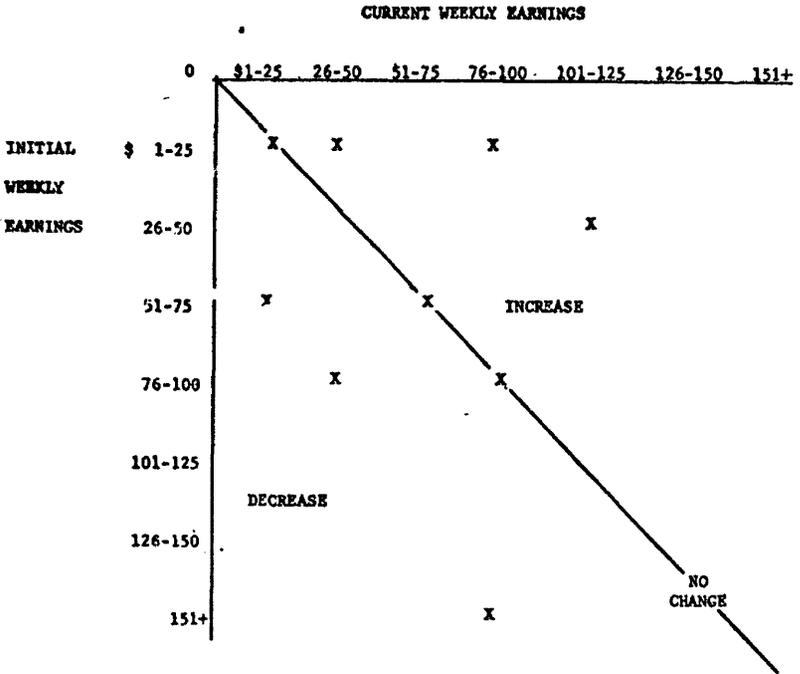


CHART 5

Mr. WILSON. If an individual family's income remains in the same category for both periods, he will be checked along the no change line in the chart, say \$51 to \$75 for both periods. If he jumps a category, say from \$1 to \$25 up to \$26 to \$50, his work effort will be considered as having increased, and vice versa. So keep in mind we are talking about weekly earnings, and we calculate it this way for data which has already been presented and which I will be presenting today. I repeat that this is the same procedure used by the Bureau of Labor Statistics and the Bureau of the Census. We use other mathematical techniques to ascertain if there is indeed a statistically significant difference in behavior between those who are receiving benefits and those who are not.

We have already presented, at the request of Senator Williams, to Senator Williams and to the committee the basic data on which our findings were made. This volume contains, for each of 500 families, their initial weekly earnings and their current weekly earnings, in addition to other information on their occupation and industry. I think indeed 494 families.

Senator WILLIAMS. May I interrupt? That was furnished in response to a request filed with your Department on April 20. We got it last night. I appreciated your getting it to us even though it only came the day before you got here.

Mr. WILSON. Yes, sir.

Senator WILLIAMS. I haven't had a chance to analyze it yet so I won't comment on it at this point.

Mr. WILSON. You can take that data and run the same type of analysis that we ran there. You have the same data and you can say you don't like the \$25 interval, you want to use a different interval, a \$10 interval, \$15 interval, if this is your measure in change of work effort.

If you look at this data and use a \$15 change in income, you will find that income increased for 33.7 percent of the families in the control group not receiving benefits, as compared to increases for 44.2 percent of the families who received benefits. So the data has been made available on which we based these findings, the basic data that was used in different ways.

By counting up the number of families in the experimental and control groups whose incomes increased, did not change and declined, you get the type of figures shown in the next chart.

(The chart follows:)

ACTUAL WORK EFFORT BEHAVIOR

	<u>CONTROL</u>	<u>EXPERIMENTAL</u>
PERCENT OF FAMILIES WHOSE:*		
EARNINGS INCREASED	31	43
EARNINGS DID NOT CHANGE	25	19
EARNINGS DECLINED	44	38

*BASED ON DATA FROM 493 FAMILIES

CHART 6

Mr. WILSON. We found, that based on 493 families for which we had data, 31 percent of the families in the control group receiving no payments had earnings increases as compared to 43 percent in the experimental group.

What I would submit to you is that those figures are effectively identical and that we have observed no decline on the average in work effort among those who have been receiving benefits in the New Jersey experiment.

We have not picked up any precipitous decline in work effort. That is the major crux of our findings. In other words, there is not a 10-percent decline or 50-percent decline or 80-percent decline, which would mean your cost estimates would be much greater. If we had found that type of a decline, it means we would have had to adjust upward our cost estimates for the family assistance plan.

We also made some surveys. In fact we have been collecting data, we are collecting data and information amounting to about 3,000 questions per family through the duration of the experiment. Some of the questions that we have answers to concern the attitude of low-income persons toward work.

(The chart follows:)

ATTITUDES TOWARD WORK

* ASPIRE FOR A BETTER JOB	65%
* WOULD MOVE TO ANOTHER CITY FOR A GOOD JOB	56%
* WOULD TAKE TRAINING WITH PAY CUT TO GET BETTER JOB	55%
* WOULD WORK TWO JOBS	60%

JOB STABILITY IS TWICE AS IMPORTANT AS ANY OTHER ASPECT OF JOB

LOW INCOME PEOPLE ARE STRONGLY WORK MOTIVATED

CHART 7

Mr. WILSON. In fact, we found that they indeed want to work. They aspire for a better job. They would move to another city for a good job. Indeed after one interviewing session we had a man in Paterson, N.J., who showed up the next day at our neighborhood office with his suitcase packed and said, "I am here to accept that job in the other city." So indeed we think they are quite serious. You look

at all of this data overall and you find that these people definitely do want to work. They would be willing to work two jobs and it is interesting to note they feel job stability is twice as important as wages, type of employment or anything else.

If these figures are approximately correct, and I emphasize again they are preliminary, but they are the best data that I know of that is currently available—if we decide that they provide rational information upon which to base a decision there are other questions we may ask. For example, what will the people do with the income they receive? We try to get answers to this, and we find that the people who receive the income supplement payments will reduce their borrowing; that is, they will buy less on time and will pay back more of what they have borrowed.

(The chart follows:)

CHANGE IN BORROWING BEHAVIOR

	<u>CONTROL</u>	<u>EXPERIMENTAL</u>
BORROWING INCREASED	53%	40%
NO CHANGE IN BORROWING	29%	36%
BORROWING DECLINED	18%	24%

CHART 8

Mr. WILSON. Of those families in the control group, 53 percent increased their borrowing as compared to 40 percent in the experimental group, those receiving benefits. There was no change in net borrowing for 29 percent of the control group families, 36 in the experimental group families. Borrowing declined, as you see, for 18 percent in the control and 24 percent in the experimental groups. So once these income transfers were made, the recipients did not reduce their work effort; it went into consumption and reduction of borrowing.

In the consumption area, we wanted to find out if they made major purchases, and, if so, the nature of these purchases.

(The chart follows:)

MAJOR CONSUMER PURCHASES

	PERCENT OF FAMILIES WHO PURCHASED GIVEN ITEMS	
<u>PURCHASES</u>	<u>CONTROL</u>	<u>EXPERIMENTAL</u>
FURNITURE	4.8	9.6
TV	9.7	12.2
OTHER MAJOR APPLIANCES	6.2	8.0
OTHER	10.3	10.7

CHART 9

Mr. WILSON. We found that the experimental families increased their purchases of furniture. This was predominantly among the younger families. The older families increased their purchases of other major appliances. They increased their purchases of TV sets and they were about the same in other major consumer purchases such as clothing, sporting goods equipment, and similar type items.

The CHAIRMAN. If I might interrupt because I came in while the statement was going on. Would you mind explaining what is the difference between your control group and your experimental group for your study? What is the point? Was the control what you anticipated or what is the difference?

Mr. WILSON. No, sir, Mr. Chairman, what we are trying to do is that we had to set up a group of families who did not receive the supplementary benefits as we had designed them in New Jersey. Then we observed their behavior. To the experimental families we made payments, income supplement with the work incentive. We observed their behavior and we are observing their behavior now. Then we compare the behavior between the control and experimental families. What we did is, we tried to match those families as closely as possible on social and economic criteria. Keep the two groups as closely matched as possible, and then our hypothesis is that the major difference is that to the one group we are making payments, to the other we are not. Then, by comparing their behavior patterns, we can assess the impact of the transfer payments. The families may have access to public welfare or may be receiving Veteran's benefits, but those in

the experimental group receive payments and those in the control group do not.

The control is the basis for your comparisons.

The CHAIRMAN. I see. Thank you.

Mr. WILSON. When you are contemplating you want to see what the major of this difference is.

The CHAIRMAN. So of those that were receiving this help, there were twice as many families that purchased furniture and 25 percent more purchased television?

Mr. WILSON. That is right.

The CHAIRMAN. Go ahead.

Mr. WILSON. The final item that we wanted to look at was how much it would cost to administer a family assistance type of program; that is, the type of program we are running in New Jersey with the two elements that we are talking about.

(The chart follows:)

ESTIMATED ADMINISTRATIVE COSTS

<u>CATEGORY</u>	<u>ANNUAL COST PER FAMILY</u>
1. FIELD OFFICE OPERATIONS	\$23.00 to \$29.00
2. GENERAL ADMINISTRATION	\$36.00 to \$48.00
3. SUPPLIES AND SERVICES	\$13.00 to \$19.00
<hr/>	
TOTAL ANNUAL COST PER FAMILY	\$72.00 to \$96.00

CHART 10

Mr. WILSON. These cost estimates exclude the work requirements, the registration for work, day care facilities—all of the services associated with the family assistance plan. All we are talking about is the cost associated with making the payments and actually conducting this income supplementation portion of the program.

In this connection, we have very good figures for over 33 months of aggregate data in all of our offices down to such fine detail that we can estimate what types of telephone calls will be made in connection with obtaining information you need, such as changes in families size and eligibility and whether a family is receiving correct payments. We collect data every month. We require the families simply to mail in a

form that lists their earnings, their income, their changes in family size; the basic information that we need to calculate the benefit payments every month. The families also mail in their payroll stubs so we can audit and insure that they are receiving the earnings that they state they are receiving.

Basically, you will have cost involving field office operation, general administration, and supplies and services. We can provide detailed information on what is included in each of these categories. Our total estimated cost is between 72 and 96 dollars per family per year to administer a New Jersey type program, as compared to our estimated costs under the present welfare system, AFDC and AFDC-UP, where the administrative cost excluding social services is approximately \$200 to \$300 per family per year. Of course, the basic difference is that in New Jersey we follow the principle used by the Internal Revenue Service, where the individual families report the necessary data. We have to have their payroll stubs for audit purposes. We use it to verify income reports, but we don't have to have a social welfare worker go out and verify and assess whether the person is eligible or not as is the case with the present welfare system.

The CHAIRMAN. If I might ask you one question. The Internal Revenue people spotcheck about 20 percent. Do you seek to check them all or 20 percent as they do?

Mr. WILSON. No; we require the families to submit all of their payroll stubs so we are checking against the reported earnings.

Senator BENNETT. Checking every family in the experiment?

Mr. WILSON. In the experimental group. We also check their W-2 forms at the end of the year. So in making payments we get all of that we can possibly get.

Mr. Chairman and members of the committee, that completes my testimony and description of the experiment. I will be delighted to answer any questions.

(Mr. Wilson's prepared statement with an attachment, follows. Hearing continues on page 925.)

PREPARED STATEMENT OF JOHN OLIVER WILSON, DIRECTOR, OFFICE OF PLANNING,
RESEARCH AND EVALUATION, OFFICE OF ECONOMIC OPPORTUNITY

Mr. Chairman, and members of the Committee, thank you for the opportunity to appear before the Committee today to describe the "Urban Graduated Work Incentive Experiment" or the "New Jersey Experiment" as it is commonly referred to. This experiment involves the transfer of cash payments to urban, male-headed families to determine whether the recipients will reduce their work effort when they receive such payments. The experiment was designed in 1968 and the first payments began in Trenton, New Jersey, on a pilot basis in August, 1968. While the experiment is different in many ways from the Family Assistance Act, I believe that there is information in the experiment that can be useful to this Committee. I would emphasize, however, that the experiment will not be completed until 1972, and, therefore, that data available at this point must be considered preliminary.

I would like to discuss three basic aspects of the experiment:

First, a description of the nature of the experiment—who is included in the project, what are the various benefit levels and at what rate are the payments reduced with additional income, and what type of information is being collected?

Second, how the experiment is similar to and different from the Proposed Family Assistance Plan?

Third, what has been learned from the preliminary data that might be useful in the discussion concerning the Proposed Family Assistance Plan?

The Work Incentive Experiment is being conducted by the Office of Economic Opportunity in cooperation with the Institute for Research on Poverty at the University of Wisconsin, as prime contractor, and MATHEMATICA, inc., a New Jersey research firm under a subcontract with the University. It is designed to test the effects of income assistance on the work incentive of urban, male-headed families. All the male heads of the families are between the ages of 18 and 58.

The experiment includes 1,359 families in Trenton, Passaic, Paterson, and Jersey City, New Jersey, and Scranton, Pennsylvania. Half of the families are assigned to a control group receiving no income payments. The other half of the families are receiving income payments. A family who is receiving payments is assigned to one of eight different programs, each program having a different payment level and a different benefit reduction rate. The payment levels are 50, 75, 100, or 125 percent of the poverty level which, for purposes of this experiment, is \$3,300 per year for a family of four. These payments are reduced at rates of 30, 50, or 70 percent as other income increases.

Payments, which will continue for three years, were begun between August, 1968, and October, 1969. The magnitude of work involved in finding and enrolling the families required that the experimental sites be started one at a time. Payments were begun in Trenton in August, 1968. Paterson and Passaic did not begin operation until January, 1969, followed by Jersey City in July and Scranton in October of 1969.

The control families, as well as the experimental families, can avail themselves of ordinary welfare and other benefits provided by the State or federal programs. The experimental families, however, are prohibited from receiving benefits from the experimental program if they receive traditional welfare payments.

Every four weeks the experimental families are required to report their income and any changes in family size. The benefit calculation is made, and if a benefit is due, it is mailed to the family in two bi-weekly installments. All of the families are interviewed every three months; and the data collected in this way (being comparable between control and experimental families) is the basis for comparisons and analysis.

The families have been promised anonymity; they have also been promised that, so long as they report their income to us accurately and on time, they will remain eligible for payments based on their income for a three-year period.

In addition to overall work effort response to the income maintenance payments, this experiment is assessing differences in responses to the various levels of assistance and different tax rates. Administrative costs for such a program as the Family Assistance Program also are being examined, as are various behavioral responses such as spending behavior, children's school effort, borrowing behavior, family stability and birth rates, leisure time activities, and attitudes toward work.

Several important differences between the New Jersey experiment and the Family Assistance Act, as shown in Table I, should be kept in mind. First, the New Jersey experiment contains no requirement that participants accept work training or a job to receive benefits. The proposed Family Assistance Act requires that participants accept work training and jobs when available. Second, the New Jersey experiment does not provide extensive day care facilities. Such facilities, designed to enable mothers with young children to accept employment, are an integral part of the proposed Act. Third, the New Jersey experiment involves only male-headed, urban families, where the male is between the ages of 18 and 58 and $1/2$ capable of working (that is, not physically disabled). The proposed Act would be applicable to all low income families with children: male or female headed, urban or rural, working age or aged, physically fit or disabled.

The New Jersey experiment, however, is similar to the Family Assistance Act in the provision of income allowances and extension of benefits to the working poor. Of particular importance is the inclusion of work incentives: as a family's earnings increase, its benefits are reduced by less than a comparable amount. Thus, although supplementary payments are reduced as other income increases, the experiment and the proposed Act are both carefully designed to ensure that the earning of income always profits rather than penalizes the beneficiary.

TABLE I.—PRELIMINARY DATA, A COMPARISON OF FAP AND NEW JERSEY

Main features	FAP	New Jersey
Work incentives.....	X	X
Income allowances.....	X	X
Work requirements.....	X	.....
Training and employment programs.....	X	.....
Child care for working mothers.....	X	.....
Working poor eligible for benefits.....	X	X
Urban.....	X	X
Rural.....	X	.....
Nonworking poor eligible for benefits.....	X	.....

The addition of work requirements, training and employment opportunities, and child care to enable mothers to work as proposed in the Family Assistance Act would be expected to have a positive effect on work incentive. Therefore, in my view, the preliminary results probably give a conservative estimate of the trends that could be expected were all elements of the Family Assistance Act implemented.

Interim data from 300 to 500 of the families participating in the experiment in Trenton, Passaic, and Paterson were analyzed to provide information on three questions:

How is work incentive affected by supplementary assistance payments?

How does such assistance affect the spending behavior of the beneficiaries?

What are the estimated administrative costs of the proposed Family Assistance Program?

The most important issue that is being addressed in the study is whether the recipients of income allowances under a program that provides work incentives would reduce their work effort to a greater extent than they would under the present system of welfare. The impact of welfare reform on work effort is both crucial and poorly understood. If earned income goes down, the actual benefits paid out will increase. This will raise the cost of the program above the levels projected on the assumption of no change in work effort. It is therefore important to determine whether there will be any precipitous decline in work effort if the present welfare system is replaced with the Family Assistance Plan.

The study is designed to determine whether the experimental group receiving benefits reduces their work effort, and thus their earnings, significantly below the control group receiving no payments. Families in each group are closely matched on the basis of social and economic characteristics and they face the same opportunities for employment. To the extent that is possible in a social science experiment, the only difference between the two groups is that one is receiving income allowances and the other is not. The following table indicates the type of information that was used in matching the control and experimental groups.

TABLE II.—PRELIMINARY DATA, MATCHING OF CONTROL AND EXPERIMENTAL GROUPS IN TRENTON, PATERSON AND PASSAIC

	[Percentage]	
	Experimental	Control
Racial distribution:		
Black.....	44.6	47.5
White.....	13.0	12.0
Spanish.....	42.0	40.0
Mean years of school completed.....	7.96	7.46
Family head employed at enrollment:		
Yes.....	89.0	93.7
No.....	11.0	6.3
Mean family size at enrollment.....	5.92	5.54
Mean family earnings (year preceding enrollment).....	\$4,001	\$4,008

Our preliminary data have been compiled to show the percent of families in each of these two groups whose weekly earnings increased, did not change, or

decreased. The evidence does not suggest that families in the experimental group displayed a significant decrease in work effort as compared to those in the control group. Results are presented in Table III;

TABLE III—PRELIMINARY DATA

	Control	Experimental
Percent of families whose:		
Earnings increased.....	31	43
Earnings did not change.....	25	19
Earnings declined.....	44	38

Note.—1 year data in Trenton and 9-month data in Paterson and Passaic. Nonresponses analyzed to add in 0 incomes. Families required to move out of interval \$15 wide to show increase or decrease. Number of families equal 492.

The preliminary evidence that is available suggests that there will be no decline in work effort.

Furthermore, interviews with participants indicate that the low-income individual is strongly motivated toward work. As shown in Table IV, the majority indicated that they aspire for a better job and are willing to move to another city or take training even if it meant a pay cut in order to get that better job. The majority also indicated that they are willing to work two jobs to support their families. Of all the factors influencing work choice, job security was ranked twice as high by participants as any other job factor, including wages, working conditions, or job interest.

TABLE IV.—PRELIMINARY DATA ATTITUDES TOWARD WORK

	Percent
Aspire for a better job.....	65
Would move to another city for a good job.....	56
Would take training with pay cut to get better job.....	55
Would work two jobs.....	60
Job stability is twice as important as any other aspect of job.....	

Note.—Low income people are strongly work motivated.

This raises the question: How do beneficiaries' behavior patterns change as their incomes increase? They seem to borrow less and to purchase more durable goods.

Table V shows that to date the experimental group has borrowed less while receiving supplementary assistance payments than has the control group, which, of course, receives no supplementary assistance.

Only 40 percent of those in the experimental group increased their borrowing, compared to 53 percent of those in the control group. Meanwhile, 24 percent of those in the experimental group actually borrowed less, as compared to only 18 percent of the control group.

This could indicate that those in the experimental group are paying back loans to a greater degree and buying items on time less than their control counterparts who are not receiving payments.

TABLE V.—PRELIMINARY DATA—CHANGES IN BORROWING BEHAVIOR

[in percent]

	Control	Experimental
Borrowing increased.....	53	40
No change in borrowing.....	29	36
Borrowing declined.....	18	24

Table VI indicates that the supplementary assistance payments not only helped the experimental group to borrow less, but also allowed those families to make some major purchases.

Twice as many families in the experimental group purchased furniture as did families in the control group, while purchases of television sets and other major appliances also increased in the experimental group.

The preliminary data indicate that furniture dominated purchases among younger families, while major appliances were the most frequent choice of older families.

TABLE VI.—PRELIMINARY DATA, MAJOR CONSUMER PURCHASES, PERCENT OF FAMILIES WHO PURCHASED GIVEN TIME

Purchases	Control	Experimental
Furniture.....	4.8	9.6
TV.....	9.7	12.2
Other major appliances.....	6.2	8.0
Other.....	10.3	10.7

Preliminary estimates on administrative costs of the proposed Family Assistance Program based on similar costs in the New Jersey experiment are reflected in Table VII.

These costs are relatively low because the Family Assistance Program would be virtually self-administering. After an initial personal contact, approximately one-half of the beneficiaries can be expected to fill out and file their reporting forms with no additional help. An additional 30 to 40 percent can be expected to complete the necessary reporting following a second or third contact. The remainder will probably require regular supervision.

The estimated costs include the submission of monthly reports on family size, earnings, and other sources of income. The benefits could be adjusted each month with benefit payments made every two weeks.

The estimated total cost per family for this type of administration is \$72 to \$96 per year, exclusive of work training and day care costs. This figure compares to the estimated cost of \$200 to \$300 per family per year for the existing welfare system, also excluding the costs of training and services.

TABLE VII.—PRELIMINARY DATA—ESTIMATED ADMINISTRATIVE COSTS

Category	Annual cost per family	
	From—	To—
1. Field office operations.....	\$23.00	\$29.00
General inquiries from recipients.		
Assistance in filing income report forms.		
Follow-up on address changes.		
Reports to the central office.		
2. General administration.....	36.00	48.00
Payment calculations.		
Check writing and mailing.		
Audit.		
Appeals procedures.		
General supervision and program review.		
3. Supplies and services.....	13.00	19.00
Forms and clerical supplies.		
Postage.		
Computer time.		
Office rentals and equipment.		
Total annual cost per family.....	72.00	96.00

CONCLUSIONS

The New Jersey experiment was designed to provide evidence about the effects such a program would have for the person it is designed to assist, give realistic cost estimates, and offer suggestions for implementation.

We believe the preliminary data suggest that fears that a Family Assistance Program could result in extreme, unusual, or unanticipated responses are unfounded.

Furthermore, we believe the preliminary data from the New Jersey project indicate that:

1. There is no evidence from the preliminary data that work effort had declined among those receiving income support payments.

2. Low-income families receiving supplementary benefits tend to reduce borrowing, buy fewer items on credit, and purchase more of such consumer goods as furniture and appliances.

3. A Family Assistance Program, excluding the Day Care Program and Work Training provisions, could be administered at an estimated annual cost per family of between \$72 and \$96. Similar costs for the current welfare system run between \$200 and \$300 annually per family.

THE OFFICE OF ECONOMIC OPPORTUNITY'S REPLY TO THE UNITED STATES GENERAL ACCOUNTING OFFICE JUNE 1970 REPORT ENTITLED "PRELIMINARY COMMENTS ON THE NEW JERSEY GRADUATED WORK INCENTIVE EXPERIMENT"

The General Accounting Office has recently issued a report entitled, "Preliminary Comments on the New Jersey Graduated Work Incentive Experiment." On May 31, 1970, the Institute for Research on Poverty at the University of Wisconsin published a Discussion Paper entitled, "Adjusted and Extended Preliminary Results from the Urban Graduated Work Incentive Experiment." Both of these statements bear directly upon the Office of Economic Opportunity's report, "Preliminary Results from the New Jersey Graduated Work Incentive Experiment" issued February 18, 1970.

After careful and thorough review of our initial publication, the GAO critique, and the detailed methodological presentation by the Poverty Institute at Wisconsin, we remain fully convinced of the validity of the basic findings set forth in our Preliminary Report. The central conclusion which bears directly upon policy considerations remains unqualified and unaltered:

"There is no evidence that work effort has declined among those receiving payments."

The GAO has raised a variety of specific questions about OEO's preliminary report. Responses to the main points of their commentary are as follows:

I. Much of the GAO report is directed at allegedly insufficient qualifications of conclusions drawn in the OEO report. Several general comments are in order:

—The OEO preliminary report was deliberately brief—a detailed statistical analysis did not seem appropriate for purposes of general distribution. A detailed backup statement has now been prepared and is available on request.

—Statements in the OEO report are appropriately qualified. The verb *to suggest* is used repeatedly in preference to verbs such as *to prove* or *to establish*. The report itself is labelled "Preliminary," and this term is used throughout.

—The OEO report makes clear that the stated findings are based on approximately one year's experience, and that the duration of the experiment is to be three years.

—At present, there is no evidence of declining work effort on the part of payments recipients. In the OEO report of February, 1970, Chart V indicates this fact in absolute terms; Chart IV substantiates this fact through comparison with control group behavior. At no point does the OEO preliminary report assert that this trend will continue indefinitely; by the same token, there is no evidence that this trend will be significantly altered in the future. Each observer is free to make his own conjecture; only time will provide the answer. At present, the OEO Preliminary Report provides the best and only available data.

—Despite claims to the contrary, GAO's own attempted analysis of our initial data *does not*, in any way, qualify or contradict these assertions.

II. The GAO report correctly points out that Chart II of the OEO report, *Characteristics of Families in the Experiment*, ought to have provided the characteristics of families on which the report was based, broken down into experimental and control groups. GAO's report provides this information:

—GAO suggests no evidence indicating that this error misleads the reader into unfounded acceptance of OEO's substantive findings. Indeed, GAO's own figures reveal a remarkably accurate matching of the control and experimental groups. If anything, this fact reinforces our initial claims.

III. Chart IV of the February report is the principal piece of evidence on which attention has been focused. The GAO report attempts to discredit this table with

two undisputed facts. For the following reasons, it is apparent that these two facts are irrelevant to the substance of Chart IV:

—GAO points out that the chart is based on only 318 families. The 191 (37%) which were not included were mainly of two kinds: (a) families that had dropped out of the program and could no longer be interviewed, and (b) interviews that provided incomplete information on income. When the initial OEO report was being compiled, we produced a table similar to the actual Chart IV, which recovered most of the 191 cases by making the plausible assumption that the missing incomes were zero unless there was evidence of work. This table showed a more pronounced (and statistically significant) indication of *higher* work effort by experimental families. The table we used was chosen primarily because it showed a less marked contrast and was more consistent with our intentions to maintain very tentative tone with regard to *increases* in work effort. Subsequent extension of this work has justified our caution with regard to income increases, but it has found no essential error in the analysis of the data available at that time.

The size of the attrition is not important to this analysis *unless* it is presumed that a sharp disincentive has been obscured by that attrition. For such to be the case, the experimental families missing from the fourth quarterly survey would have to have experienced significantly more income reverses than those that remained in the sample. As a consequence their benefit level would have increased (because their earnings decreased). It seems unlikely that large numbers of families would abandon the very payments which led them (if there was a disincentive effect) to reduce their earnings.

—The second fact is that data were pooled from Trenton and Paterson-Passaic to produce Chart IV. The items being pooled were income changes following enrollment in the Graduated Work Incentive Program. For Trenton these changes referred to a twelve-month interval starting in August 1968; and for Paterson-Passaic the changes derived from a nine-month interval starting in January 1969. Parallel changes for control families were measured in both cities. Given the self-evident crudeness of the tabular analysis, the pooling of changes following a specific treatment violates no-convention of "good statistical practice" that is generally recognized, even if they do derive from different cities and slightly different time intervals. In any case, the resolution clearly lies in an examination of separate tables for the two cities rather than in a blanket condemnation. Clearly, if one city is less favorable, the other one must be more so. Certainly the pooling operation is more conservative than selective emphasis on results for any fraction of the available data.

In short, these two facts do not justify dismissal of the evidence.

IV. The GAO criticizes Chart V of the OEO report for several reasons. The two most significant are: first, that it refers solely to the experimental group, not to the control group; and second, that it should have been presented for each city, broken down by the earned income strata of recipients. (In the experiment, we have classified families according to whether their incomes at the start were below the poverty line, up to 25% over the poverty line, or between 25% and 50% over the poverty line.)

—The GAO is correct in asserting that it would be most desirable to provide comparable charts for the control group. However, the experiment was not designed to collect income data from the control group on a bi-weekly basis, since it was imperative to minimize contact with this group in order to avoid biasing their behavior. Income has been collected from control group participants on a quarterly basis, and the plotting of income trends for this group will have to await the accumulation of more data.

At the same time, Chart V by itself is quite significant in that it reveals no precipitous decline in the absolute income levels of those receiving transfer payments. Many observers had expressed fears that a guaranteed payment system would cause recipients to quit work entirely and go completely on the doles; Chart V indicates that this has not thus far occurred.

Chart IV compared the behavior of the control and experimental groups, thus providing information regarding relative behavior patterns. Chart V was intended to reveal any dramatic shifts in absolute behavior on the part of income recipients.

—As GAO suggests, it would be possible to prepare a variety of graphs on the order of Chart V, using income strata or other groupings for each of the

cities. GAO's report performs precisely this task. We determined, and the charts prepared by GAO confirm, that all such plottings reveal essentially the same finding: there has been no significant change in the earning patterns of payments recipients. Since no additional insight was afforded by their inclusion, we chose to omit the large number of possible subcharts.

V. Finally, the GAO asserts that the New Jersey Experiment is testing a variety of different plans, involving several tax rates and several benefit levels. They suggest that recipient behavior patterns may eventually vary according to which plan is being considered, and that conclusions which do not make such a differentiation are "premature" and "could be misleading."

—The OEO report explicitly states the fact that there are a group of alternative plans. It indicates, on page 25, that the experiment was specifically designed so as to test various approaches and make differential assessments as to their impacts. We intend to analyze the data for potentially meaningful variances, once sufficient data is available. Thus far, however, the effects of the various plans on individual work patterns have not differed in a statistically significant fashion. Therefore, it has not been necessary to differentiate the results by benefit level and tax rate.

At a more basic level, the plans differ among themselves only in degree, while they are all alike in their fundamental difference from the present welfare system. That is, they all provide a floor on family income levels and all reduce benefits by some proportion of earned income. On this basis, and in the absence of markedly different effects of the various alternative plans, it is reasonable to lump them together in order to address the basic question of whether an income maintenance scheme will cause large numbers of recipients to stop working and retreat onto the doles. At present, all available evidence indicates that this will not be the case.

The CHAIRMAN. We would like to hear what the GAO reaction to this matter was so we could get their thoughts on the subject. I suggest you let Mr. Marvin have the witness seat long enough to present his statement, and then we will call you back to the stand, please.

Mr. Marvin, if you have some of your associates here you can seat them as you like to.

STATEMENT OF KEITH E. MARVIN, ASSOCIATE DIRECTOR, OFFICE OF POLICY AND SPECIAL STUDIES, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY JAMES CALDWELL, SUPERVISORY AUDITOR, PHILADELPHIA REGIONAL OFFICE; ROBERT D. JONES, STAFF MEMBER, OFFICE OF POLICY AND SPECIAL STUDIES

The CHAIRMAN. You may proceed.

Mr. MARVIN. Mr. Chairman, I have with me two associates from the General Accounting Office, Robert Jones, on my right, from the staff of Office of Policy and Special Studies, the same office that I represent, and James Caldwell, from our Philadelphia regional office on my left.

GAO PRELIMINARY FINDINGS ON THE NEW JERSEY EXPERIMENT

We welcome the opportunity to present our preliminary findings and conclusions based on the information which has been made available to us from the New Jersey graduated work incentive experiment. We have furnished to the committee and to the Office of Economic Opportunity a paper prepared by the staff members of the General Accounting Office who have worked on this review. Our statement summarizes the highlights of that preliminary report.

First, I would like to provide the committee with some background as to our reasons for performing a review of a social experiment which does not as yet represent an operating Federal program. This has been

an experimental review designed to test ways in which the General Accounting Office can provide improved information of use to the Congress in its consideration of new program proposals. This role for the GAO was discussed at length by the Comptroller General in his testimony before the Subcommittee on Executive Reorganization of the Senate Committee on Government Operations on September 16, 1969.

Briefly, we believe we can assist the Congress in its consideration of new programs by helping to determine whether adequate analyses were made of the alternatives. Demonstration programs are designed to test alternatives to existing programs. In the case of social programs, demonstrations of new methods will normally require several years of testing.

In our summary report in March 1969 on the review of economic opportunity programs we devoted one chapter to the shortcomings of past evaluations and to our criteria for adequate evaluation, including the evaluation of research and demonstration projects. In our review of these programs we found that much of the data which had been collected in the agency's files, partly for purposes of evaluation, was incomplete and unreliable. We also found that there was no way in which the accuracy of such information could be improved many months after the data had been accumulated.

We believe that we must review long-term demonstrations while they are in progress if we are to be in the best position to adequately assess their results and to develop subsequently any additional information needed in making use of them. This should make it possible for us to provide information to the Congress or its committees which might be useful during the course of such studies, such as in this instance.

We also believe that we must make an early assessment of the methodology of the study itself so that we will have time to gather and analyze any supplementary information to be presented along with our assessment of the agency's study at the time it is made available to the Congress. Since our resources for this work are still limited we have to be very selective as to which studies we will attempt to monitor in this manner.

Since the New Jersey experiment was planned to run for approximately 3 years we considered how we could best make use of the reported results of the study either at the end or at the time of any interim reports which might be issued. We chose the New Jersey experiment as a high priority study as a result of the President's address on domestic programs in August 1969 in which he proposed to abolish the program of aid to families with dependent children and establish a family assistance plan.

We began our planning for this review in early 1970 anticipating that we would report on the work sometime in 1971 covering the broad scope which I have already discussed for this work in general. However, when a report on the preliminary results of the experiment was published on February 18, 1970, by the Office of Economic Opportunity, it appeared to us that in order to be of most assistance to the committee at this time we should concentrate our efforts on assessing the support for the conclusions which were contained in the OEO report.

After preliminary contacts with OEO and OEO's contractors, we began work on April 13, 1970, at the offices of Mathematics, Inc., where most of the material supporting the OEO report is maintained. As an accommodation to the views expressed by OEO and OEO's contractors concerning the preliminary and experimental nature of the work, we have to date not insisted on access to the complete data base accumulated during the experiment, and we have tested certain of the data presented in the report by means of a sampling procedure which we devised.

The paper our staff prepared and furnished to the committee brings out a number of facts not stated in the OEO report which we believe bear on its usefulness. Some of these facts we believe quite seriously affect the conclusions which, according to OEO, are suggested by the data. Others of these facts are of lesser importance, but do relate to matters of accuracy and understanding of the report.

In general, the data in the OEO report are described inadequately to allow any independent interpretation of the basis for the conclusions. For example, the work effort behavior data includes families from Paterson, Passaic, and Trenton, N.J., but the information reported on income patterns of the experimental group excludes the Trenton families. The inconsistencies in the data base are not explained in the OEO report. One objective of our paper furnished to the committee was to provide clarification of the data base on which the conclusions were based.

More importantly, we attempted to provide enough additional information in our paper to provide an understanding as to why our conclusions differ from those of the OEO report. I wish to summarize these differences briefly.

In its report OEO stated that preliminary data from the experiment suggest that there is no evidence that work effort declined among those receiving income support payments. We believe this conclusion is premature because the data on which it is based represents less than 1 year's activity in a 3-year experiment and because we were not able to determine that this limited data had been subjected to a complete or to sufficient analysis to support such conclusions from it. For example, in the analysis to date it is not possible to draw any conclusions as to the difference in effects on work effort of the eight different payment plans to which the families are assigned in the experiment.

I have the description of the plans in my statement. I will pass over those because they are the same as the description that Mr. Wilson provided.

This experiment was designed in anticipation that there might be different results from the different payment plans and it follows that premature conclusions drawn from the aggregated data could be misleading with regard to the work effort effects and costs of any single family assistance benefit formula.

The OEO report also concluded that the preliminary data suggest that there is an indication that the work effort of participants receiving payments increased relative to the work effort of those not receiving payments. We believe it is wrong to draw this conclusion at this time on the basis of the data available on earnings from work effort to the date of the OEO report.

I don't believe that conclusion was repeated by Mr. Wilson this morning, as I understand it.

The conclusions of the OEO report are based on a comparison of the control group and the experimental families in terms of the percent whose earnings increased—such as you have seen in Mr. Wilson's testimony—did not change, or declined during the first 10 or 12 months of the experiment. The data reported by OEO show that a higher percent of the experimental families' earnings increased. However, in our review we found that due to errors in data collection or attrition of families from the experiment this comparison could be made with valid data for only about 60 percent of the experimental families.

From the data we have, I might add, it is our understanding that the information presented this morning by OEO regarding that comparison does include some of those cases that we would not regard as being valid data.

On the basis of the valid data available for comparison we do not believe that the reported differences to date can be considered significant. That is, there is a high probability that the reported differences to date are random and could come out in the opposite direction in another similar experiment. As the experiment continues, it is possible that greater differences between control and experimental families, will based on completely valid data, be observed and become significant in spite of reductions in valid observations.

We have no way of knowing this until the end of the experiment.

Another reason for concern about the indicated increase in work effort is that, according to data provided to us by Mathematica, Inc., 94 percent of the control group families were employed at the time of enrollment while only 89 percent of the experimental families were employed at time of enrollment. This averages to the same percentage that was shown in Mr. Wilson's testimony but it breaks the two down. This appears to represent a 5-percent advantage in the potential for increased employment among the experimental families during the first year.

Another reason for concern is that OEO was not able or did not choose in its report to adjust the earnings of the families for increases in general wage rates in the communities during the first year of the experiment. Although this would or should affect the control and experimental groups equally, it could account partly for the fact that of the families in both groups more have reported increases than decreases in earnings. If this is so, the number of families whose work effort decreased may be equal to the number whose work effort increased. In view of the primary objective of the experiment, to assess work effort response, this suggests the need for very careful analysis of the data on families whose earnings have decreased.

Subsequent to furnishing our preliminary paper to the committee in June, we have reviewed more carefully the extent of attrition from the experiment. The various reasons for attrition are the cause of much of the data becoming invalid for a number of families in our opinion.

One of the primary reasons for selecting New Jersey as the site for the experiment was the fact that this State did not have an unemployed father provision in its aid to families with dependent children (AFDC) program. Since only male-headed families were to be chosen for the experiment, the selected families would not be eligible for

AFDC payments. This enabled consideration of experimental treatments that would have been too low if these families were eligible for substantial State benefits. However, the New Jersey law was amended on July 10, 1968.

This was before the first payments began in Trenton under the experiment in Trenton.

Under the amended law, which took effect in January 1969, low-income families with unemployed or employed fathers are eligible to receive welfare payments. We found that the State welfare payments for which male-headed families may be eligible are more liberal than the payments under most of the eight payment plans included in the experiment. This has caused an attrition of families from the experiment, particularly from the plans paying the lowest benefits.

The families covered by the OEO report include those who have elected to apply for State benefits and who have continued to file reports with Mathematica, Inc. We believe these families must be excluded from consideration in any of the original eight payment plans, perhaps to be treated as though enrolled in a ninth plan. Proper treatment of this data will be important in analyzing the effects of the different plans to which I have referred.

We have not as yet performed any assessment of the other conclusions in the OEO report which deal with the families' tendencies to reduce borrowing and buy fewer items on credit or of the conclusions regarding the cost of administering a family assistance program. I wish to point out also that all of our analysis has been performed to date with data obtained from the files of Mathematica, Inc., the sub-contractor which is performing the experimental work. We have not made any attempt to contact any of the experimental or control families to verify the information reported on their earnings and work effort.

We have avoided making such contacts because we believe this might affect the attitudes of these families and thus create unknown aberrations in the experimental data. The cost and the importance of such an experiment are such that we believe the agency and its contractors should be given every opportunity to administer the experiment to the families selected without interference. However, we do believe that the contractors should be alert to the possibility that errors or undesirable bias could creep into the experimental data. We are planning further review work to assess additional aspects of the New Jersey experiment, including the design itself.

This completes our statement which summarizes the highlights of our work as it relates to the conclusions of the February 18, 1970, report. We would be pleased to respond in greater detail to any questions the members of the committee might have.

The CHAIRMAN. Thank you very much.

Senator Williams wants to ask you a question at this point.

COOPERATION OF OEO ON THE GAO AUDIT

Senator WILLIAMS. Mr. Marvin, in your audit by GAO of this experiment, did you have full cooperation of the officials of the OEO?

Mr. MARVIN. I think we had good cooperation, Senator Williams. As I have indicated in my statement, there were discussions about the amount of access to the data that was regarded as appropriate. I don't

believe we ever came to any final agreement as to exactly how far we should go in obtaining access but we did agree that we could probably provide a valid test of the information as it was accumulated by taking samples of the data and that is what we proceeded to do.

Senator WILLIAMS. The reason I raise that question, I am quoting from your preliminary report as furnished to this committee in June of this year, 1970, and quoting from page 2 of that report, a copy of which, as the chairman has suggested, we make a part of the record at this point.

The CHAIRMAN. All right.

(The report follows. Hearing continues on page 941.)

PRELIMINARY COMMENTS ON THE NEW JERSEY GRADUATED WORK
INCENTIVE EXPERIMENTS

(Prepared by the staff of the U.S. General Accounting Office for use of the
Senate Finance Committee, June 1970)

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Appendix I: Characteristics of Families in Experiment.
Appendix II: Average Family Incomes.
Appendix III: Alternative Work Effort Behavior.

SUMMARY

This paper deals with work performed by GAO in connection with OEO's New Jersey Graduated Work Incentive Experiment, and more specifically, with a report issued by OEO in February 1970, describing the results of that experiment. Our review was limited by constraints on our access to the full data base accumulated during the experiment.

We believe that a number of important qualifications which are omitted from the OEO report are necessary to a proper understanding of the issues which the report seeks to address. We found problems in the collection and analysis of data supporting the OEO report—and in the completeness of the presentation of the data in that report.

We believe our findings raise serious questions as to the appropriateness of the conclusions drawn in the OEO report. Our own overall conclusions are found on page 16 of this paper.

BACKGROUND AND SCOPE OF THE GAO WORK

The Office of Economic Opportunity (OEO) initiated the New Jersey Graduated Work Incentive Experiment in 1968. The experiment, which is scheduled to be completed in 1972, is being conducted by a contractor (Institute for Research on Poverty, Madison, Wisconsin) and a sub-contractor (Mathematica, Princeton, New Jersey).

On February 18, 1970, OEO issued a 26 page report describing preliminary results of the experiment. The report emphasized questions of work effort behavior and income patterns of families included in the experiment, and suggested that certain conclusions might be drawn from the preliminary data being reported.

The material we are presenting in this paper for the information of the Committee is addressed to the content of the OEO report and the data supporting it. More specifically, we centered our inquiry on those parts of the report concerning the income and work effort and characteristics of the families included in the experiment. We have not yet inquired into those parts of the report concerning spending behavior, family stability, and administrative costs.

After preliminary contacts with OEO and OEO's contractors, we began work on April 13, 1970 at the offices of Mathematica, where most of the material sup-

porting the OEO report is maintained. Our work proceeded with some difficulty because of objections raised by OEO and OEO's contractors as to the propriety of GAO's access to data which they considered preliminary and experimental. In the interest of expediting our work and as an accommodation to the concerns expressed by OEO and OEO's contractors relative to the unique character of the experiment, we have proceeded to date to carry on our work under the following constraints: We agreed not to insist on access to the complete data base accumulated during the experiment, and we agreed to test certain of the data presented in the report by means of a sampling procedure which we devised.

These constraints clearly limit our ability to report more fully to the Congress on the status of the experiment. While our access was adequate to permit us to prepare the charts in our Appendix II and to make other observations on the OEO report which are contained in this paper, our ability to provide additional information and explanations would be severely limited unless complete access were to be allowed by OEO and the contractors.

INTRODUCTION

Page 2 ("Introduction") of the OEO report stated:

"The New Jersey data now available were gathered from August, 1968, through October 1969, in Trenton, Paterson, and Passaic from 509 of the 1,359 participating families. They are based on the experiences of 364 families receiving various levels of support payments and a control group of 145 families not receiving payments. The control group is used for purposes of comparison with the experimental group, since their characteristics at the beginning of the experiment were similar to those of the experimental group. We can therefore tell whether the payments have had any effect at the end of the experiment by looking at any differences between the two groups."

We are bringing to the attention of the Committee a number of facts not stated in the OEO report which we believe bear on the usefulness of the OEO report and which relate to the data described in the paragraph quoted above. Some of these facts we believe quite seriously affect the conclusions which, according to OEO, are suggested by the data. Other of these facts are of lesser importance but do relate to matters of accuracy and understanding of the report.

CHARACTERISTICS OF FAMILIES IN THE EXPERIMENT

Pages 6 and 7 of the OEO report describe ". . . the characteristics of the families in the experimental group at the beginning of the project."

We believe that the reader of the report should be made aware—and the OEO report fails to point out—that these data on family characteristics do *not* relate to the 509 families from whose experience the income data described later in the report were drawn. The data relate, instead, to the larger group of 1,359 families, which include those from Jersey City, New Jersey, and Scranton, Pennsylvania, as well as those from Trenton, Paterson, and Passaic, New Jersey.

The importance of this distinction is that some of the characteristics of the larger and the smaller groupings are different—for example, ethnic composition. When all five cities are included, the ethnic composition is correctly described on page 6 of the OEO report, as follows:

"About 36 percent of the families were white, another 36 percent were black, and the remainder were principally Spanish-speaking Puerto Ricans."

However, other data in the OEO report (e.g., work effort) were not obtained from the five cities, but only from three of them: Trenton, Paterson, and Passaic. The ethnic composition of the 509 families from whom data were drawn in these three cities was about 13 percent white, 45 percent black, and 42 percent Spanish-speaking Puerto-Rican.

We make this point as a matter of accuracy since we believe that pages 6 and 7 of the OEO report are somewhat misleading insofar as the rest of the OEO report is concerned. In order to clarify the actual characteristics of the 509 families on whom the OEO report was based, we asked OEO's contractor to prepare the descriptive material which we are including as Appendix I for the information of the Committee.

WORK EFFORT BEHAVIOR

On pages 10 and 11, the OEO report briefly describes work effort behavior and provides a chart comparing the earnings of the experimental and control groups. The contents of these two pages from the OEO report are reproduced below:

"ACTUAL WORK EFFORT BEHAVIOR"

"Chart IV indicates actual work effort on the part of the participants. On the basis of these data, we can say that work effort did not decline for the group analyzed, but rather that it followed a pattern close to Line B on Chart III. There is, in fact, a slight indication that the participants overall work effort actually increased during the initial test period." (GAO note: Chart III is attached as our Appendix III).

"CHART IV.—ACTUAL WORK EFFORT BEHAVIOR"

[In percent]

	"Control	Experimental
Percent of families whose—		
Earnings increased.....	43	53
Earnings did not change.....	26	18
Earnings declined.....	31	29 "

We believe that readers of Chart IV should be aware of several facts concerning it which are not made explicit in the OEO report:

(1) The chart is based on only 318 of the 509 families participating in the experiment in the cities of Trenton, Paterson, and Passaic. The data on 191 of the families (37 percent of the families) was not used by OEO's contractor in preparing Chart IV because of the problems in the interviews and coding of the data.

Based on generally accepted statistical standards we believe that conclusions are made highly questionable if drawn from data in which this large an attrition has occurred. (2) The basis used by OEO's contractor for determining whether a family's earnings changed was a comparison of weekly earnings. A family's earnings for the week preceding the pre-enrollment interview was compared with the family's earnings in the week preceding an interview conducted ten to twelve months after the pre-enrollment interview. Approximately twenty percent, or greater, change in the weekly earnings between the two periods was the criterion used to determine whether the family's earnings would be considered to have increased, to have decreased, or not to have changed.

The two weekly periods used in making the comparison for the Trenton families differed from the two weekly periods used for the Paterson and Passaic families. For the Trenton families, earnings for a week in August 1968 were compared with earnings for a week in August 1969.

For the Paterson and Passaic families, earnings for a week in November or December 1968 or in January 1969 were compared with earnings for a week in either November or December 1969.

We believe that combining the data from the two different periods into Chart IV represents a violation of good statistical practice and precludes the application to Chart IV of appropriate tests of statistical significance. In summary, we believe that any conclusions drawn on the basis of Chart IV are highly questionable based on the data from which the chart was constructed.

INCOME PATTERNS OF THE EXPERIMENTAL GROUP

Page 12 of the OEO report describes income patterns of the experimental group and page 13 of the report contains Chart V showing the average monthly income of experimental families over 10 consecutive four-week periods, extending from December 28, 1968 through October 3, 1969. The time period covered by the chart was not identified in the report.

We believe readers of Chart V should be aware of several other facts concerning it which are not made explicit in the OEO report:

(1) Chart V reflects the income experience only of families in Paterson and Passaic, New Jersey. The income experience of families in Trenton, New Jersey—the city longest in the experiment—is not shown.

(2) The income data for the first month (\$340 on Chart V) was obtained in a different manner than the income data for the subsequent 9 months. The first month's income data was obtained by interview (from the stated recollection of the interviewees) and was not supported by income statements, and payroll stubs, as was the data for subsequent months after families had been enrolled.

We have no evidence that the manner in which the first month's income data was obtained reflects any upward or downward bias, but we do believe that readers of the chart should be aware of this difference in derivation of the data.

(3) Chart V was based on data from income statements submitted every four weeks by families in the experimental group. Similar data was *not* collected from families in the control group, and so it is not possible for OEO's contractor to directly relate the monthly experience of the control group families to the monthly experience of the experimental group families.

We believe that, in general, this seriously diminishes the utility of the control group as a means of isolating the effects of the experiment. With respect to Chart V, we believe that the absence of comparable data from the control group makes extremely difficult and tenuous any attempt to draw conclusions from it relative to the effects of the experiment on the income patterns of the families reflected in it. That is, Chart V should be read as reflecting not only the effects of the experiment but such factors as changing economic conditions as well, e.g., changes in the prevailing wage scales.

(4) As stated above, the OEO contractor had accumulated data from income statements submitted by the families in the experimental group every four weeks. This data was accumulated by city (Trenton, Paterson, and Passaic) and by the level of income the families stated they were earning when they entered the program. These latter, termed "income strata" by the contractor, reflected three levels:

—Families whose stated incomes were within the defined poverty standard at the time they were enrolled in the experiment. These were identified as Stratum I.

—Families whose stated incomes were up to 25 percent above the defined poverty standard. These were identified as Stratum II.

—Families whose incomes fell between 25 and 50 percent above the defined poverty standard. These were identified as Stratum III.

Most of the families enrolled in the experiment fell into Strata II and III, i.e., those whose stated pre-enrollment incomes placed them above the defined poverty standard.

While we would caution that data such as that shown in Chart V is inconclusive, we believe that to the extent that the Committee chooses to consider it, the Committee would benefit by having the data accumulated by the contractor presented more comprehensively, and with further refinement, than was presented in the OEO report. For this reason we have prepared, and are furnishing as Appendix II the following charts:

—A corrected Chart V. Chart V, as published by OEO, contains a number of minor arithmetic errors in its construction. The errors were not serious and are shown in our Appendix II, page 20 along with the corrected chart prepared by us. This chart combines Strata I, II, and III families.

—Charts depicting for the Paterson-Passaic families the average family income over the 12 consecutive four-week periods from December 28, 1969, through November 28, 1969 for each of the three income strata (See Appendix II, pages 21, 22, and 23). Data has not as yet been made available to us to extend these charts into 1970.

—Charts depicting average family income from the Trenton families over 21 consecutive four-week periods extending from August 3, 1968, through March 13, 1970. This data is presented for all Trenton experimental families (Appendix II, page 24) and by income strata (Appendix II, pages 25, 26, and 27).

THE DIFFERENT PAYMENT PLANS

The allocation of the families in the experiment among the various income maintenance plans being studied in the experiment is not addressed in the OEO report. We believe a brief discussion of this allocation is useful in understanding the data being accumulated and reported by OEO and OEO's contractors.

The 1,350 families in the full experiment and the 500 families in the three cities on which the OEO report is based are distributed among 8 different income guarantee plans and to a control group. The variations amongst the 8 plans are the result of combinations of two specific factors: the "guarantee" and the "benefit reduction rate."

The guarantee is the amount of money a family will receive if they have no other income. The guarantee is expressed as a percentage of the poverty level, which varies according to family size. The guarantees in this experiment are 50 percent, 75 percent, 100 percent, and 125 percent.

The benefit reduction rate is the rate (percentage) of income earned by which the benefits are reduced. For example, if the benefit reduction rate is 30 percent, the benefits will be reduced by 30 cents for each dollar of earned income.

The control group is made up of a similar mixture of families which receive no benefits under the plan other than small fees for cooperating in the periodic interviews and reporting changes of address. These fees have been adjusted to increase the incentive to co-operate. We have not as yet, reviewed these payments but we understand that a family may receive from ten to twenty dollars per month depending upon the information required of them in the month.

As stated in the OEO report, 364 of the 509 families in Trenton, Paterson and Passaic were assigned to plans under which they were guaranteed a certain income. The eight plans and the number of families assigned to each plan are as follows:

ALLOCATION OF FAMILIES TO PLANS—PATERSON-PASSAIC

Plan	Percentage guarantee	Benefit reduction rate	Number of families—Preenrollment family income (expressed as percentage of poverty level)			Total
			Stratum I (0-100)	Stratum II (101-125)	Stratum III (126-150)	
A.....	50	30	0	0	10	10
B.....	50	50	23	21	0	43
C.....	75	30	19	0	17	36
D.....	75	50	0	10	34	44
E.....	75	70	7	28	7	36
F.....	100	50	17	7	1	33
G.....	100	70	6	6	31	43
H.....	125	50	9	8	14	31
Total.....			81	89	116	277

ALLOCATION OF FAMILIES TO PLANS—TRENTON

A.....	50	30	5	5	3	13
B.....	50	50	3	5	6	14
C.....	75	30	6	4	3	13
D.....	75	50	5	7	1	13
E.....	75	70	4	4	1	9
F.....	100	50	6	2	6	14
G.....	100	70	4	4	3	11
H.....	125	50	0	0	0	0
Total.....			33	31	23	87
Total.....			114	111	139	364

The following is an example of how the experiment works. A family of four assigned to Plan B, which most closely approximates the Family Assistance Plan, is guaranteed an income of \$1,741. If the family's other income for the year is \$1,000, the benefit received from the experiment will be reduced 50 percent of that amount. The family's total income would be:

Other income.....	\$1,000
Income from experiment guarantee.....	1,741
Less: 50 percent of \$1,000.....	500
	<u>1,241</u>
Total.....	2,241

The data drawn from the 364 experimental families and 145 control families (total of 509) was presented in the OEO report in an aggregated way without reference to the operation of the 8 different plans within the experiment. The experiment was deliberately designed to provide data which presumably would be

sensitive to the varying effects of these plans. Such conclusions as may eventually be drawn from this data are likely to vary with the plans and strata defined in the experiment. For this reason, we would caution readers of the OEO report that the aggregated data reported is not necessarily representative of the operation or effects of any particular income maintenance plan.

CONCLUSIONS

On page 3, the OEO report concludes the following from the preliminary data obtained in the three cities:

"The data suggests that:

"There is no evidence that work effort declined among those receiving income support payments. On the contrary, there is an indication that the work effort of participants receiving payments increased relative to the work effort of those not receiving payments."

We believe it is premature to conclude generally that, "There is no evidence that work effort declined among those receiving income payments." The data reflected in the OEO report represents less than a year's activity. Moreover, on the basis of the material in the OEO report and the other material to which we were given access, we do not believe the data has been subjected to sufficient analysis to support conclusions from it. Finally, we believe that such conclusions as may eventually be drawn from this data are likely to vary with the plans and strata defined in the experiment. In such cases, premature conclusions drawn from the aggregated data could be misleading.

We believe it is wrong to conclude that, "On the contrary, there is an indication that the work effort of participants receiving payments increased relative to the work effort of those not receiving payments." The only evidence we find in the OEO report to support this statement is Chart IV on page 11. We believe there are defects both in the underlying data and in the preparation of that chart sufficient to preclude conclusions from it.

CHARACTERISTICS OF FAMILIES IN EXPERIMENT—TRENTON, PATERSON, AND PASSAIC

	Experimental families	Control families	Total
Sample size:			
Trenton.....	87	39	126
Paterson/Passaic.....	276	107	383
Total	363	146	509
Average age of family head (years)	34.4	34.0	
Average family size:			
3 cities combined.....	5.9	5.5	
Trenton.....	6.1	6.1	
Paterson/Passaic.....	5.9	5.3	
Education of family head (average number of years of schooling):			
3 cities combined.....	8.0	7.5	
Trenton.....	8.3	8.2	
Paterson/Passaic.....	7.9	7.2	
Percentage of high school graduates:			
3 cities combined.....	12.9	11.7	
Trenton.....	12.8	17.9	
Paterson/Passaic.....	12.9	9.4	

CHARACTERISTICS OF FAMILIES IN EXPERIMENT—TRENTON, PATERSON, AND PASSAIC—Continued

	Experimental families		Control families	
	Number	Percent	Number	Percent
Race:				
3 cities combined:				
Black	160	44.7	67	47.5
White	47	13.1	17	12.1
Spanish	151	42.2	57	40.4
Total	358	100.0	141	100.0
No response	5		5	
Trenton:				
Black	53	60.9	27	73.0
White	16	18.4	7	18.9
Spanish	18	20.7	3	8.1
Total	87	100.0	37	100.0
No response	0		2	
Paterson/Passaic:				
Black	107	39.5	40	38.5
White	31	11.4	10	9.6
Spanish	133	49.1	54	51.9
Total	271	100.0	104	100.0
No response	5		3	
Family earnings in year before enrollment:				
3 cities combined:				
		Amount		Percent
Trenton		\$4,001		\$4,008
Paterson/Passaic		3,860		3,798
		4,046		4,085
Occupational status:				
3 cities combined:				
Skilled ¹	220	63.0	93	64.6
Unskilled ²	129	37.0	51	35.4
Total	349	100.0	144	100.0
No response	14		2	
Trenton:				
Skilled ¹	41	47.1	22	56.4
Unskilled ²	46	52.9	17	43.6
Total	87	100.0	39	100.0
Paterson/Passaic:				
Skilled ¹	179	68.3	71	67.6
Unskilled ²	83	31.7	34	32.4
Total	262	100.0	105	100.0
No response	14		2	
Employed at time of enrollment:				
3 cities combined:				
Trenton		89.3		93.7
Paterson/Passaic		82.6		82.1
		91.6		98.1

¹ Includes professional, technical, managerial, and clerical workers, salesmen, foremen and operatives.

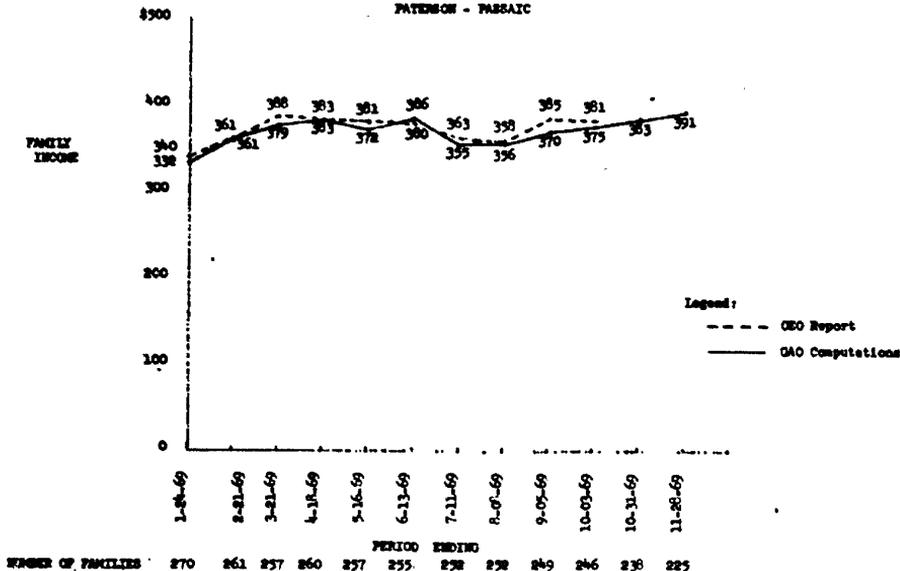
² Includes persons employed in private households, in the service industries and laborers.

Source: Prepared by Mathematica at GAO's request. This data was not verified by GAO.

AVERAGE FAMILY INCOME FOR FOUR-WEEK PERIODS FROM 12-26-68 THROUGH 11-26-69

ALL EXPERIMENTAL FAMILIES

PATERSON - PASSAIC



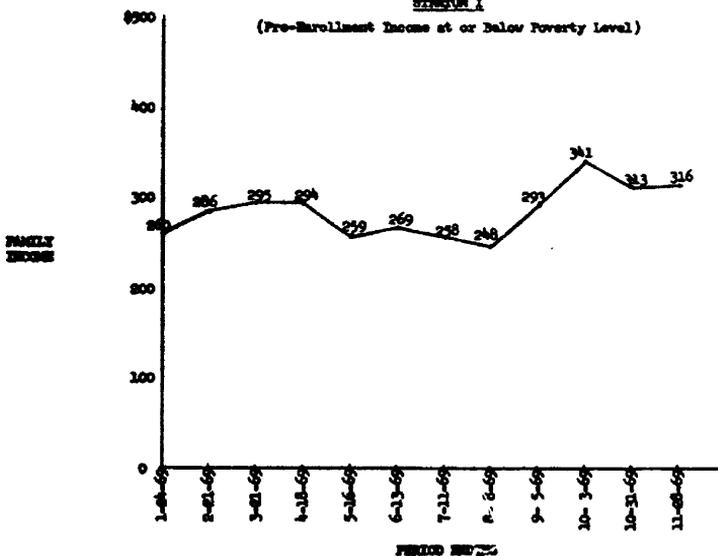
AVERAGE FAMILY INCOME FOR FOUR-WEEK PERIODS FROM 12-26-68 THROUGH 11-26-69

PATERSON - PASSAIC

STRATUM I

(Pre-Enrollment Income at or Below Poverty Level)

APPENDIX II
Page 10



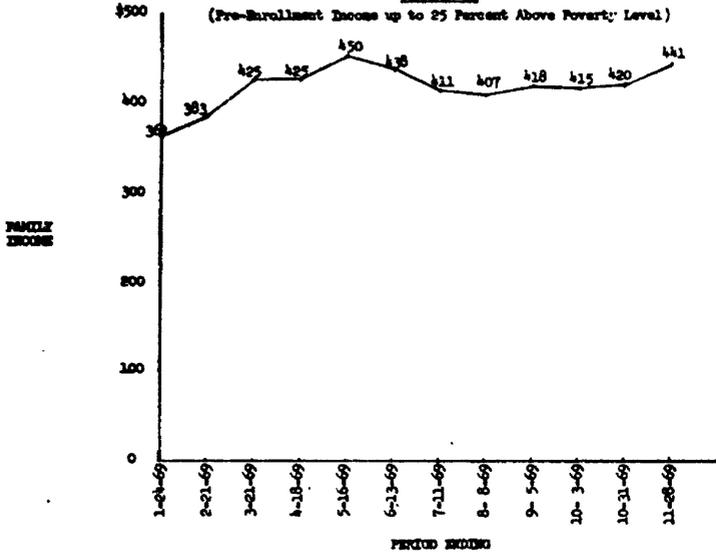
NUMBER OF FAMILIES: 75, 70, 70, 71, 71, 70, 71, 71, 70, 66, 66, 65

AVERAGE FAMILY INCOME FOR FOUR-WEEK PERIODS FROM 12-28-68 THROUGH 11-28-69

PATERSON - PASSAIC

STRATUM II

(Pre-Enrollment Income up to 25 Percent Above Poverty Level)



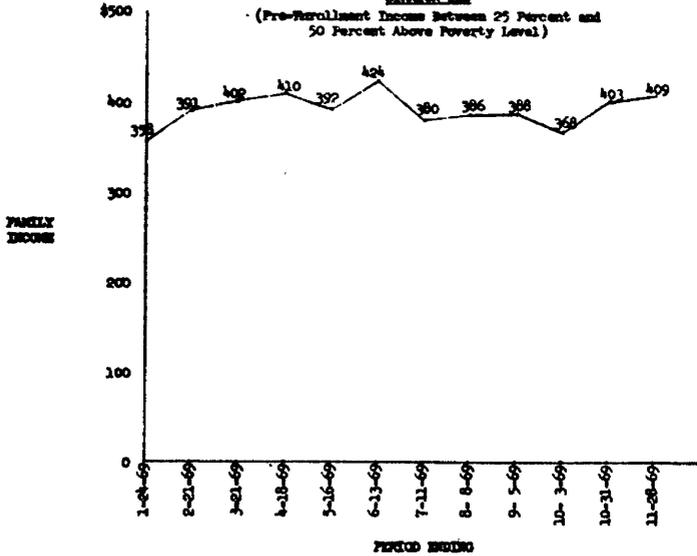
NUMBER OF FAMILIES 79 76 73 75 75 75 73 73 71 72 68 63

AVERAGE FAMILY INCOME FOR FOUR-WEEK PERIODS FROM 12-28-68 THROUGH 11-28-69

PATERSON - PASSAIC

STRATUM III

(Pre-Enrollment Income Between 25 Percent and 50 Percent Above Poverty Level)



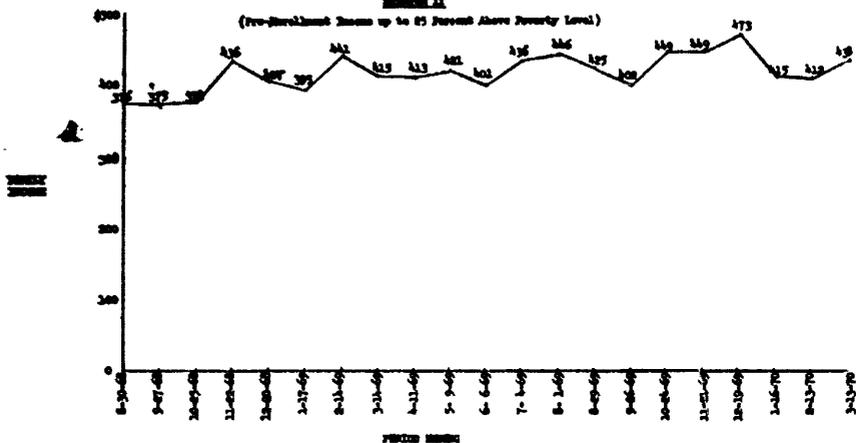
NUMBER OF FAMILIES 116 115 114 114 111 110 108 108 108 108 104 97

AVERAGE FAMILY INCOME FOR FOUR-QUARTER PERIODS FROM 8-1-68 THROUGH 3-13-70

TABLE III

SUBGROUP II

(Pre-Enrollment Income up to 75 Percent Above Poverty Level)



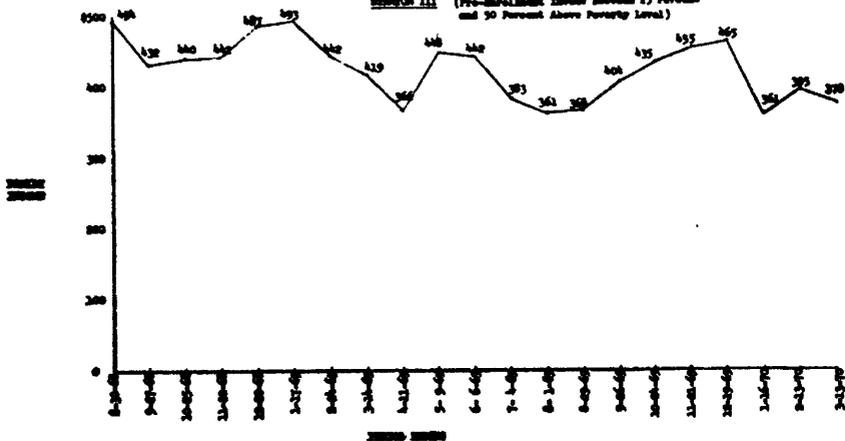
NUMBER OF FAMILIES 31 30 31 30 30 28 28 27 28 27 27 27 26 26 26 26 26 23 24 23 21

AVERAGE FAMILY INCOME FOR FOUR-QUARTER PERIODS FROM 8-1-68 THROUGH 3-13-70

TABLE III

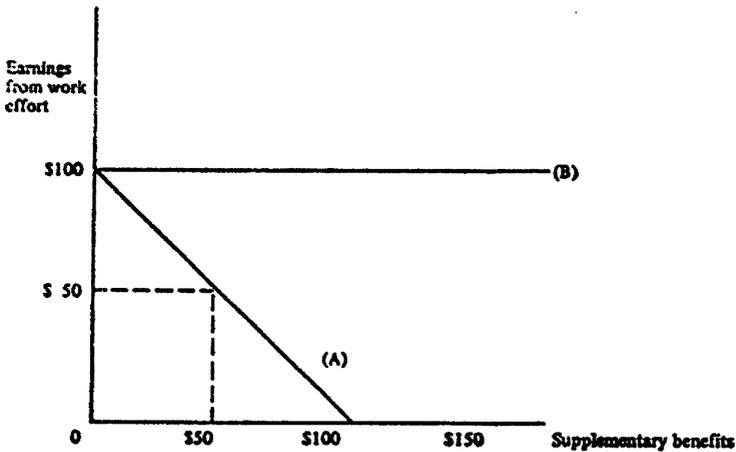
SUBGROUP III

(Pre-Enrollment Income Between 75 Percent and 50 Percent Above Poverty Level)



NUMBER OF FAMILIES 22 21 22 22 22 22 21 21 21 21 21 21 21 21 21 21 21 20 20 20 20 20

CHART III

ALTERNATIVE WORK EFFORT BEHAVIOR

Senator WILLIAMS (reading):

Our work proceeded with some difficulty because of objections raised by OEO and OEO's contractors as to the propriety of GAO's access to data which they considered preliminary and experimental.

And then continuing to read from your summary which points out:

This paper deals with work performed by GAO in connection with OEO's New Jersey Graduated Work Incentive Experiment, and more specifically with the report issued by OEO in February 1970, describing the results of that experiment. Our review was limited by constraints on our access to the full data base accumulated during the experiment. We believe a number of important qualifications which are omitted from the OEO report are necessary to a proper understanding of issues which the report seeks to address. We found problems in the collection and analysis of data supporting the OEO report—and in the completeness of the presentation of the data in that report. We believe our findings raise serious questions as to the appropriateness of the conclusions drawn in the OEO report. Our own overall conclusions are found on page 16.

and so forth.

To what extent did this lack of cooperation of OEO handicap you? I ask that question because yesterday I was advised that they thought they had given you full and complete cooperation and in fact they thought you would concur in their findings, and, of course, you don't concur. So I wish you would explain that.

Mr. MARVIN. We had in mind performing some analysis of our own concerning the average yearly income gained or lost between the control group and experimental group. We were given access to the records from which we could compute for each experimental family the income for the year after entering the program. We could not determine from these reports what portion of the income was earnings from work and what portion was due to income such as unemployment compensation. We were able to determine that sort of breakdown in the information that we were given on a sample of 46 families. We have not as yet had that kind of access to the files of all of the individual families.

The summary data that we were given made it possible for us to perform statistical tests but not to examine the validity, based on our own criteria, of what was contained in the earnings.

CHARACTERISTICS OF FAMILIES USED IN EXPERIMENT

Senator WILLIAMS. It is my understanding they started out with 581 families in one of the experiments, or approximately that number.

Mr. MARVIN. In the three cities, Paterson, Passaic, and Trenton, I believe the number is 509.

Senator WILLIAMS. 509?

Mr. MARVIN. That was the number of families on which the report was based. There may be a few other families in those cities.

Senator WILLIAMS. In releasing these statistics did they use the same families or did they substitute different families, different backgrounds?

Mr. MARVIN. In the testimony today?

Senator WILLIAMS. I am speaking of their report that was furnished under date of February 28. Did they use the same families right through for their experiment or did they substitute others?

Mr. MARVIN. It is our understanding that the experimental families and the control group families that were used in preparing that report were all selected at random prior to the time that the experiment began. Perhaps they weren't initially selected at random because there was some problem in finding enough families, I believe, in some of the communities that actually met the requirements, being employed and male headed. But once the families were selected, random selection of these families, or distribution of these families to the control group and experimental group was made, as we understand, prior to the beginning of the experiment and that did remain the same throughout the period that was reported.

Senator WILLIAMS. The reason I raised that, I quote from your statement, your report on page 4, and you are referring to the OEO report of February that was furnished under date of February this year.

Pages 6 and 7 of the OEO report describe the characteristics of the families in the experimental group at the beginning of the project. We believe that the reader of the report should be made aware—and that OEO report fails to point out—that these data on family characteristics do not relate to the 509 families from whose experience the income data described later in the report were drawn. The data relate, instead, to a larger group of 1,350 families, which include those from Jersey City, New Jersey, and Scranton, Pennsylvania, as well as those from Trenton, Paterson and Passaic, New Jersey.

The importance of this distinction is that some of the characteristics of the larger and smaller groupings are different—for example, ethnic composition

When all five cities are included, the ethnic composition is correctly described on page 6 of the OEO report as follows:

About 36 percent of the families were white, and another 36 percent were black, and the remainder were principally Spanish-speaking Puerto Ricans.

However, other data in the OEO report were not obtained from the five cities, but only from three of them: Trenton, Paterson and Passaic. The ethnic composition of the 509 families from whom data were drawn in these three cities was about 18 percent white, 45 percent black, and 42 percent Spanish-speaking Puerto Rican.

We make this point as a matter of accuracy since we believe that pages 6 and 7 of the OEO report are somewhat misleading insofar as the rest of the OEO report is concerned.

Is that still your opinion?

Mr. MARVIN. I would like to try to clarify this, if I may.

We still support the statement as we made it in our paper. We have an appendix in the same paper, appendix 1, page 1, which provides the breakdown of the 509 families that were used in the report. The percentage of black people among the experimental families is 44.7 and the control 47.5.

It was stated in the beginning of the OEO report that 36 percent, you see, were black. That is, while 36 percent of the 1,359 families were black, approximately 45 percent were black of the 509. The percent of Spanish-speaking people is much larger than the 28 percent indicated in the OEO report. Twenty-eight percent were Spanish-speaking according to that material in the OEO report. But of the 509 that we determined were actually used in the data, 42.2 percent of the experimental families were Spanish and 40.4 percent of the control families were Spanish-speaking.

I think the importance of this has to do mainly with the use of this information with regard to various populations. It could be misleading to a person reading that February report if they thought that the data reported were representative of the distribution shown, the 36 percent white, 36 percent black and 28 percent Spanish-speaking. This was our concern. We feel it very important to know what the experimental families represent when we try to generalize this to any other population.

CONCLUSIONS SEEN AS HIGHLY QUESTIONABLE

Senator WILLIAMS. I noticed you concluded and in there you said:

The chart is based on 318 of the 509 families participating in the experiment in the cities of Trenton, Paterson and Passaic. The data on 191 of the families, 37 percent of the families, was not used by OEO's contractor in preparing Chart IV because of the problems in the interviews and coding of the data.

Based on generally accepted statistical standards we believe that conclusions are made highly questionable if drawn from data in which this large an attrition had occurred.

Are you still of this same opinion?

Mr. MARVIN. Yes, sir.

Senator WILLIAMS. I am quoting from your own report.

Mr. MARVIN. We still support the statement as we made it. We did obtain additional information through OEO prepared by Harold Watts, the director of the Institute for Research on Poetry, the prime contractor. This data, I believe, is available to the committee staff. There is in that new data, what Mr. Watts' refers to as a greatly improved data base which shows that there is virtually no difference

between the experience of the control and the experimental families.

Senator WILLIAMS. Is Dr. Watts still with OEO?

Mr. MARVIN. He is director, as I understand, of the Institute for Research on Poverty, University of Wisconsin. They are the prime contractor for the experiment and Mathematica is a subcontractor to them.

Senator WILLIAMS. Well, I understand that he was quoted as saying that he didn't think reliable results could be obtained until sometime in 1971. He thought maybe it was premature to take it now. But I understand he will be testifying later.

Just one more point and we will have Dr. Wilson back to comment.

On page 7 you stated :

The two weekly periods used in making the comparison for the Trenton families differed from the two weekly periods used for the Paterson and Passaic families. For the Trenton families, earnings for a week in August 1968 were compared with earnings for a week in August 1969. For the Paterson and Passaic families earnings for a week in November of December 1968 or in January 1969 were compared with earnings for a week in either November or December 1969.

Then you stated :

We believe that combining the data from the two different periods into Chart IV represents a violation of good statistical practice and precludes the application to Chart IV of appropriate tests of statistical significance. In summary, we believe that any conclusions drawn on the basis of Chart IV—

That was the OEO report—

are highly questionable based on the data from which the chart was constructed.

Is that still your opinion?

Mr. MARVIN. Yes, it is.

The CHAIRMAN. Senator Anderson.

Senator ANDERSON. Table II shows black, white and Spanish. What authority do you have for putting Spanish Americans into one of the other tables?

Mr. MARVIN. Is this an appendix you refer to?

Senator ANDERSON. You refer to it in two or three places.

The CHAIRMAN. Page 8, table II of John Wilson's statement. He has his breakdown of racial distribution, black, white, and Spanish, and he asks what is the authority or basis for calling the Spanish neither black nor white.

Senator ANDERSON. I have a good many people in my State. I recognize the fact that the Spanish American people have a different classification, but never this before.

Mr. MARVIN. This is frequently a sensitive subject. I don't believe I would have any real judgment on that. The social scientists are interested in this and, we can say in general, are trying to determine the characteristics of the families or the individuals that they are studying so that they can extend the results of their studies or experiments to other populations. If it does turn out there are differences based on any characteristics, be it color or any other characteristic that you can imagine, that may be helpful in extending the results to the larger or different population.

Senator ANDERSON. What would you say of a person in Latin America who thought they were white for a long time?

Mr. MARVIN. I don't really have any thought to offer on that.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. In your testimony did I understand that your check was made only with a sample of 45 people?

Mr. MARVIN. We took a random sample of 46 of the experimental families and a small sample of about 16, I believe, of the control group families, totaling 62.

Senator BENNETT. Did you select the families or were they referred to you or assigned to you? In other words, who selected the families in the random sample?

Mr. MARVIN. We made the selection from a listing of the entire 509 families on our own random basis and then we were given those files. We have no question we were given the families that we selected.

NO SUPPORT FOR CONCLUSIONS DRAWN BY OEO

The CHAIRMAN. Well, if I understand your statement now, your conclusion is that you did not feel that the conclusions drawn by OEO could be supported, based on either too short a time or certain other factors that came into play. That is basically what you are saying?

Mr. MARVIN. That is correct.

The CHAIRMAN. One thought that occurs to me is that when you are trying an experiment to see whether one plan works, it is also good to try an alternative. A person who has, let's say six children, needs more income, if he is in the poverty level, to support that family than does one who has only one child. It might be worth considering an approach by which we would subsidize the job. For instance, if this person finds a job which doesn't pay enough we would add something to the pay or pay it to the employer on condition that the employer would pass that on through to the employee. That way the employee would receive pay for working rather than not working. And if he didn't show up for work 2 days out of the week, his pay would be reduced, both what the private employer was paying and what the Government was paying to help increase this person's income.

Now, if I correctly judge here, you don't have any information by which to test that approach as against the approach where one pays the person the welfare money, whether he works or not; is that correct?

Mr. MARVIN. It would be my understanding that there would be no data available from this experiment to test that. Payments are made directly to the families.

The CHAIRMAN. So this New Jersey experiment is an experiment of what happens when you pay the person whether he works or doesn't work.

Now, there is no information available to see what would happen for comparison purposes, is there?

Mr. MARVIN. Of a different method of providing the money, I would say no, providing through the employer, for example.

Senator JORDAN. May I ask a question?

The CHAIRMAN. Yes.

EFFECT OF LIBERALIZING NEW JERSEY WELFARE STATUTES

Senator JORDAN. On page 8 of your statement you discuss what happened after the State of New Jersey liberalized their welfare statutes and you say,

We found that the State welfare payments for which male-headed families may be eligible are more liberal than the payments under most of the eight payment plans included in the experiment. This has caused an attrition of families from the experiment, particularly from the plans paying the lowest benefits.

How heavy was that attrition?

Mr. MARVIN. Well, we have requested additional data on that question because it troubled us very much as to what it would do to the meaning of the experimental results. We have obtained some additional information in an informal document transmitted to us by OEO which shows the attrition for that reason, people leaving the experiment to go to the State plan.

Senator JORDAN. Because the welfare plan payed more money than the experiment?

Mr. MARVIN. That is correct. Well, we have to make some assumptions about that. We have no direct evidence based on interviews with families or anything of the kind as to why they left the program, but we did request additional information and we do have information that shows that the attrition or that the people that have gone on the State plan is 34.2 percent for those receiving the low benefits in the experiment, 27.5 percent for those receiving medium benefits, and 6.2 percent for those receiving the high benefits. So I think that knowing as we do that the State plan pays higher benefits than all of the plans except the higher, this appears to support the conclusion, tentative conclusion that many people have left the plan to obtain higher benefits from the State welfare law. This 34 percent of people who leave the lower plans for welfare plus approximately 16 percent of those same groups who have just disappeared, and data is not available any longer, represents approximately a 50-percent attrition from those lower paying plans at this point and we regard this as very serious from the standpoint of obtaining meaningful data from the experiment at the lower benefit levels.

Senator JORDAN. And you suggest on the next page that you believe these families must be excluded from consideration in any of the original eight payment plans, perhaps to be treated as enrolled in a ninth category.

Mr. MARVIN. That is correct.

Senator JORDAN. So you don't upset the conclusion of the tests?

Mr. MARVIN. They would be paid more, once they go on the State plan. Perhaps a family in one of the lower paying plans in the experiment would become more comparable to a family in one of the higher paying plans. We haven't made a direct comparison of the law with the plans and I can't tell you exactly which plan it would be more comparable to, but we do know it would be more comparable to the higher paying plans of the eight plans.

Senator JORDAN. Thank you.

The CHAIRMAN. Thank you very much.

Now, I would like to call the OEO people back and I would appreciate very much if you would stay in the room.

Senator ANDERSON. I would hope the OEO people would be questioned about this designation.

The CHAIRMAN. We will do that.

Senator Anderson, I believe you would like to ask about the basis upon which these—on page 8.

Senator ANDERSON. Did OEO approve the designation of these people, as "black", "white", and "Spanish American"?

**STATEMENT OF WESLEY L. HJORNEVIK AND JOHN O. WILSON—
Resumed**

Mr. WILSON. As Mr. Marvin stated, Senator, social scientists are interested in the breakdown of as much information as we can get by social and economic class. They are interested in the breakdown among what they call Spanish-speaking, black, and white persons. The reason that the Spanish-speaking category is used in the New Jersey experiment is because we have a substantial number of Puerto Rican participants. We want to see if there is a difference in behavior among Puerto Ricans, who have much higher mobility, since they can easily leave the New York area and go back to Puerto Rico, as compared to the whites and blacks for whom we hypothesize that the mobility rate will not be as great. That is the primary reason for breaking it down, in addition to what Mr. Marvin has stated.

Senator ANDERSON. What about the million people in this country of Spanish-American ancestors?

Mr. WILSON. Right. We have to make a decision on whether we can generalize on the experience from New Jersey as it relates to the Spanish-speaking in other parts of the country. Primarily our reason is that we have a very substantial Puerto Rican population with much higher mobility rates.

Senator ANDERSON. I hope you would check that thoroughly and see why you put that category in here.

Mr. WILSON. Yes, sir.*

METHODS OF OEO INTERVIEWING

The CHAIRMAN. Now, I would like to just check one or two things with you now.

Generally speaking, it has been my impression that families in the poverty area, and about half of these people are Negro citizens, are very suspicious if some white person comes around inquiring about their business. Many times one finds unless those people know him and have confidence in him, they aren't going to tell him anything about their business, or if they do they will tell him something wrong to be sure it is not used against him.

Was this information that you have obtained here—I am looking at page 3, the first paragraph—was this what these people voluntarily submitted to you when you say you mailed forms to them and by weekly installments. You say all families are interviewed every 3 months. The benefit calculation is made, and if the benefit is due, it is mailed to the family in two weekly installments. And I see the family was required to report their income and any changes in family size.

*See p. 975 for a response from the Office of Economic Opportunity on the point raised by Senator Anderson.

Is that simply what they filled out on a form that you mailed to them and they sent back in?

Mr. WILSON. Let me cover several of the points that you raise. You were quite correct in saying it is very difficult to get information out of people when you simply go up to the door and knock and say, "Would you answer these questions?"

We all recognized this potential problem in New Jersey, and took sufficient steps so that we feel the data we are obtaining is correct. We do use indigenous interviewers in the community who become quite close to the families over time because the same interviewer is interviewing the same area and same families over a period of months, not like a census where the census taker shows up once every 10 years and knocks on the door and says, "Let me pry into your private life." We have formed quite close relationships with the families. The level of trust between the families and the community indigenous interviewers is quite high. We have signed an agreement with the families that the data we are receiving will remain confidential. Our people who have access to the data have signed this agreement. I do not have access to the data myself unless I sign that agreement. The families are quite concerned that the data remain confidential, because they are really telling their whole life stories to the interviewers. They know it is treated confidential, and we have a very high level of trust; therefore, we believe the data we are obtaining is quite accurate.

We receive data in two ways. We have a set of files called the financial files which you were referring to earlier. The families every month mail in on a form their earnings, income from other sources, and changes in family size. We require payroll stubs, W-2 forms, and any other piece of evidence so we can verify that they report what they earn. On the basis of the financial data, we then make our two weekly benefit payments. In addition, we go out and interview in the field every 3 months using forms like this, which I will be glad to submit for the record. They run about 70 pages in length, and these forms are simply like the Census is using to go into homes and collect data. These are the forms that the local indigenous interviewers use. We have thousands of pages of information collected from families on various questions contained in those forms. So we are collecting from two sources.

The CHAIRMAN. Well, one thought that occurs to me is that if anyone wanted to make that study come out to his advantage he might very well be able to do so. That is why you have to be so careful how you take it.

While this was going on do you know whether the National Welfare Rights Organization or any organization interested in this general area might have been active either on their own or parallel to what you were doing either to see what was going on or to try to encourage those who participated to react favorably to it?

Mr. WILSON. Senator, I have with me Mr. David Kershaw who manages the project in Mathematica and has actually done field interviewing and supervises all of the interviewing.

Mr. KERSHAW. We have also indigenous office managers in each of these cities who know the groups that exist in the cities and in many cases these groups are very helpful to us in locating indigenous interviewers. It occurred to us that there was a good possibility of some

outside group of some sort trying to interfere and influence the direction of the data one way or another. To our understanding, and I think we would know about it if it happened, nothing like that has occurred to date. Families tend to keep very much to themselves. Our responses on the interviews indicate they speak very little to their neighbors. They stay in the house, aren't joiners of organizations. So the whole question of either an outside organization or indeed an organization among the families—

The CHAIRMAN. Do you know whether the National Welfare Rights Organization is active in this area?

Mr. KERSHAW. It's fairly active in Newark and not very active in other parts of New Jersey and it has grown very slowly.

The CHAIRMAN. Is Newark part of this area?

Mr. KERSHAW. No, sir.

The CHAIRMAN. In Baton Rouge the National Welfare Rights Organization told the Negroes in the area not to give any information to the census. We have been trying to get our people counted ever since that time.

Mr. KERSHAW. That is becoming a difficult problem for the surveys and that is the reason it is good to have indigenous interviewers who can assure the trust of their respondent and that is a very difficult problem. And with respect with the Puerto Rican families, we have the interview in Spanish and administered in Spanish.

WORK EFFORT UNDER THE NEW JERSEY PROJECT

The CHAIRMAN. I noticed a statement you submitted to the Ways and Means Committee is almost identical in conclusion to what has been submitted to us, except with regard to the first statement. What was submitted to us today, said "1. There is no evidence from the preliminary data that work effort has declined among those receiving income support payments."

Now, the Ways and Means Committee presentation contained a further statement which reads "On the contrary there is an indication that the work effort of participants receiving payments increased relative to the work effort of those not receiving payments." That statement was part of the presentation of the Ways and Means Committee, and I noticed it is not in the statement in the conclusion stated here today. Why was that second sentence left out?

Mr. WILSON. Yes, sir. When you analyze this data, as I was trying to point out in my initial opening statement, you can make different assumptions on how large an increase in weekly earnings has to occur before a family will move from a no-change in work effort category to an increased or decreased category. For example, if you use a \$25 interval, it means on the average that a family has to increase their earnings by 33 percent before they would be counted as having changed. If you use a \$15 interval, this would be a 20 percent change. Setting the interval requires judgments on what variation are you going to allow for slight overtime or changes in wage levels, or when the wife may be picking up money babysitting and so on, since you count husband and wife income together.

Now, if you will turn to page 18 of the Watts' paper, prepared at the Institute for Research on Poverty at the University of Wisconsin, what we have listed there are four or five variations of the results,

making different assumptions on the degree to which earnings must increase or decrease before you counted it as having changed. We were also using different types of data, as the General Accounting Office pointed out. We had data for 509 families. In the initial report made by OEO in February we used around 350 families. The reason we didn't use 509 was that for a substantial amount of that data, 191 families as Senator Williams pointed out, the families had not checked whether they had zero income, so we didn't use them. But if they also checked that they were not employed, we still didn't use it. When we went back and did another analysis, if they indicated they were not employed and simply overlooked checking zero income, we inferred they had zero income since they were not employed. We made that assumption in some of the variations given on page 18. In variation 3, where we state that we have analyzed those nonresponses on their earnings and counted income as zero when families checked that they were not employed or did not have an occupation, we have effective data for 493 families. In this case, we do get a significant difference between the experimental and control groups—work effort of the former shows a relative increase. The others do not. So what I would conclude is that I cannot definitely say recipients will increase their work effort, but I will say that we have strong evidence they will not decrease it.

The CHAIRMAN. People tend to respond based on whether it is to their advantage to provide the information or not to their advantage to provide the information.

One of my friends in law school earned some side money by going out and obtaining statements about accidents, obtaining witnesses and things of that sort. He would go into a poor neighborhood and have difficulty finding a person he was trying to locate, and after awhile he developed an approach whereby he would tap on the door and say that someone died and left some money to this fellow and he was trying to locate him so he could claim his inheritance. That being the case, people became more communicative and after awhile the man would be looking him up rather than him searching in vain for a witness he couldn't find. And if these people had previously been subjected to a situation whereby if they submitted evidence that they were earning more money they were subject to having their welfare payments reduced; isn't that correct?

Mr. KERSHAW. You mean our benefit level?

The CHAIRMAN. Yes.

Mr. KERSHAW. That is right.

The CHAIRMAN. I would think your control families would still be subject to that situation, if they were giving you all of the information available where they found some small outside earnings they would be subject to having their earnings reduced by that, would they not?

Mr. KERSHAW. Not the control families. Our payments to the control families are only a flat payment for their participation, which is about \$10 a month. I think the remarkable thing about—

The CHAIRMAN. Well, I have in mind if you are taking a control family one, those control families drawing welfare payments in addition to the \$10.

Mr. KERSHAW. Yes, they may be on welfare.

The **CHAIRMAN**. If those control families told you that they had additional income, they would have their welfare payment reduced, would they not?

Mr. KERSHAW. Not by us. They would have to do the same thing to the Welfare Department. There is an assumption that they probably would.

The **CHAIRMAN**. You are working for the Government and so is the Welfare Department. If you should communicate that information or make it available to the Welfare Department then they would have had their income reduced, would they not?

Mr. KERSHAW. Yes, sir.

Mr. WILSON. Let me try on this. The control families receive a small token payment simply to fill out the form. We found out when you want to collect data if you pay \$5 to get it returned, you can get it. On the average families in the control group receive about \$10 a month from our experiment. That is all. They can be on welfare and indeed they have to report that income to the county welfare department as part of their income. On the experimental families who receive benefits from us, we check our payments with the county welfare people to insure that that deduction is made.

The **CHAIRMAN**. Well, of course, whatever is done here I want it to succeed, and if I vote for it, I certainly want it to succeed. But when we are trying to get the information upon which to base a conclusion, I think we have to keep certain things in mind. This Government is not going to be able to go around this country prosecuting any one million people because they made a few dollars and kept it on the side. Now, I generally gain the impression that to a large extent it has been advantageous to people just not to tell the Government the truth about their outside income. If they do, they have their income reduced. Isn't that correct? They have their income reduced if they tell you they had additional income?

Mr. KERSHAW. I think that applies to all of us.

The **CHAIRMAN**. You nod your head you agree; that is correct. If we don't have the down-to-earth, solid information as to what motivates people, if we don't know all of the facts we are not going to come up with the correct conclusion. Sometime back I was told that one couldn't very well object to giving food to hungry people and I made the statement at that time that there was more than that involved. That my impression was in my own hometown that a lot of this food stamp gift was being converted into cash and these people were spending the cash for wine, tobacco, marihuana, and anything else they wanted to buy with it. I know there were some indictments in my hometown of some merchants involved in this type of thing, so I assume the Government checked it out and found it to be correct. But our information will have to be correct, if our conclusion is going to be entirely correct about this.

What were the family's attitude toward work at the beginning of the experimental program and have their attitudes changed during the course of the experiment?

Mr. WILSON. We have observed that their attitudes toward work have not changed to a significant degree. They seem to have very strong Protestant ethic work attitudes, and this orientation has pre-

vailed throughout the experiment to date. It has not changed that substantially.

The CHAIRMAN. We have been concerned in the hearings with the cumulative work disincentives when a given family is eligible for several different welfare programs. The result in some cases is that additional earnings do not benefit the family but actually reduce its total usable income. I know New Jersey's experiment has a provision to offset the effect of Federal taxes. In this respect have you taken into consideration such things as reduction in food stamps or public housing benefits?

Mr. WILSON. What we are doing Mr. Chairman, is we are imputing the value of living in public housing to the recipient. We also impute the value of living in owner occupied housing to a recipient. So if a person is living in public housing, we get an estimate of what the housing would be worth at the normal market rate of rent. Then we take the difference between what he is paying on public housing and that market rate and we add that as part of his income before we calculate the benefit level.

The CHAIRMAN. Have you developed any methods of compensating for the cumulative disincentives?

Mr. WILSON. The project itself involves making an income transfer with a work incentive element as I described earlier. Where the family is on welfare, we require the family to make a choice between being on welfare or being under our program. Then we observe their behavior. It is not an experiment to measure the cumulative disincentive effect that you have discussed with the Secretary of HEW and Secretary of Labor.

The CHAIRMAN. I was talking about a method of compensating for the cumulative disincentive and I take it the answer to that is no, you have not developed a method of compensating that?

Mr. WILSON. No.

The CHAIRMAN. Now have you attempted to measure these disincentives and take them into account in arriving at your conclusion?

Mr. WILSON. The only disincentive, if we want to call it a disincentive, that families are subjected to depends upon the rate at which benefits are reduced as their incomes rise. It could be a 30-percent tax rate, 50-percent tax rate, or a 70-percent tax rate. Those are the benefit reduction rates that we have and that is the disincentive that any participant in our project is under.

WORK DISINCENTIVES IN THE BILL

The CHAIRMAN. Well, now, there was a rather thoughtful editorial done by the Wall Street Journal, and it was based on the conclusions that the editors of that publication had available to them after having followed these hearings as well as studied the bill when it passed the House. They concluded that families under this program would be losing about 80 cents in income for every additional dollar that they earned on the average. It has been my impression that when we had those kind of rates in taxes for businessmen, most of them tended to earn no more that year or else to wait until they could find some way to earn it where it would fall under the capital against rate of taxes rather than to fall into their ordinary category.

Are you in a position to say how that human factor applies to a welfare client?

Mr. WILSON. I am in a position to say, Mr. Chairman, what we have observed in New Jersey. I have not read the Wall Street Journal editorial, but I assume it was referring to the whole welfare system and not the New Jersey experiment.

The CHAIRMAN. It was referring to this bill, it wasn't referring to the New Jersey experiment.

Mr. WILSON. What I am testifying to now is what we have found out in New Jersey and does not directly relate to the bill. In New Jersey we have 30, 50, and 70 percent tax rates, if you want to call them that. We have examined the data to see if there is any difference between these various plans, which the General Accounting Office referred to in testimony today and amplified on in their preliminary report on us, and we can find no significant difference in behavior among families in the 30, 50, or 70 percent plans. This does not mean to say differences may not be there when you collect more data; but with the data we have on hand right now, we can find no significant difference. This also applies not only for each plan and by city, it applies by ethnic groups as well. We can pick up no significant difference.

The CHAIRMAN. I know of situations where people have told prospective employers that they would be willing to work but only on condition that they would be paid in cash and no record kept. Now, so often have I run into people who know about it or who know other people who have had that experience that I gain the impression that is not at all unusual. I can see why people would react that way if they are going to have 70 percent of it or 80 percent or even 100 percent taken away.

Now to what extent do you think you are aware of that?

Mr. WILSON. We are very much aware of this fact, but keep in mind, Mr. Chairman, that we are working in an urban area where most of the low income families' access to other sources of income is through earnings. They have to have a job to get earnings. And when they do have a job, particularly in an urban area, we can verify those earnings for the sake of this experiment. They don't have much access to non-earnings type income, but we are keenly aware of the potential of these other sources of income, and we are trying to collect such data. Mr. Kershaw may want to add to this.

Mr. KERSHAW. In New Jersey, we are definitely concerned with the cumulative tax rate problem as a disincentive, and also so we can do our analysis knowing precisely what tax rate a family is facing. In New Jersey, there are the other supplementary programs and public housing, which we have washed out by using the imputed income; the Federal income tax deductions which we are paying the families in order to maintain them at a constant 30, 50, or 70 percent benefit reduction rate; and although there is low participation among our families for reasons I am not aware of, we have records of the food stamps they are receiving so we can use that as supplementary income in our analysis. And there is no State income tax. The only other major additive tax rates that would be bothersome in New Jersey are social security taxes and payroll deductions, which we are not treating but on which we have information; and medical care, which tends to be a very large item. We are now contemplating introducing a comprehen-

sive medical insurance program for the families in order to try to get some information on that aspect of it.

The CHAIRMAN. Senator Anderson.

Senator ANDERSON. Who is in charge of this hearing here today? Who represents the Federal Government, Mr. Marvin or Mr. Wilson?

Mr. WILSON. I would say Mr. Hjernevik is representing the Office of Economic Opportunity.

Senator ANDERSON. Will the Office of Economic Opportunity agree with this characterization you have of "black," "white," and "Spanish American"?

My colleague is a Spanish American and a very good Senator. I think he would have violent exception to that sort of classification, no matter how convenient it may be for your people. Who authorized that?

Mr. HJORNEVIK. This experiment was undertaken and begun by the previous administration. We looked at it upon taking over, and regarded it as a sound social experiment. There is interest in whether there is difference in behavior of any groups, thus far we haven't seen any significant difference. So that I think we took a project that existed and looked at it and concluded that we found it was a sound social experiment and we carried it on.

Senator ANDERSON. Are you trying to tell me that President Johnson is the person who set this up as "black," "white," and "Spanish American" and, if so, when did he do it?

Mr. HJORNEVIK. No, sir. I think the concern was whether or not—social scientists, as Dr. Wilson has indicated, are interested in whether there is different behavior between ethnic groups in our society, and it was incorporated as a part of our experiment and we chose not to undo that.

Senator ANDERSON. Do you feel that is a proper term to be used?

Mr. HJORNEVIK. I think in terms of trying to understand our society it might well be appropriate.

Senator ANDERSON. I can only say I don't agree.

Mr. HJORNEVIK. I understand, sir.

CONTRACTS FOR THE NEW JERSEY EXPERIMENT

Senator WILLIAMS. Dr. Wilson, as I understand it, this so-called New Jersey experiment was conducted under two contracts; is that correct?

Mr. WILSON. It was conducted under a prime contract with the Institute of Poverty Research at the University of Wisconsin, which is headed by Prof. Harold Watts. They then subcontracted to Mathematica of Princeton, N.J.

Senator WILLIAMS. The first contract was with Dr. Watts; is that correct?

Mr. WILSON. The prime OEO contract is with the Institute at Wisconsin.

Senator WILLIAMS. What was the amount of that contract?

Mr. WILLIAMS. It is a 3-year project. I can give you how much has been spent to date.

The amount that has been expended so far is \$4.6 million.

Senator WILLIAMS. How much was authorized under the contract?

Mr. WILSON. Under the contract we were authorized between \$5.5 million and \$6.5 million.

Senator WILLIAMS. And this is the one prime contract that was made and the others were subcontracts?

Mr. WILSON. The prime contract is made on 1-year fundings. We have refunded the project every year.

PRELIMINARY REPORT OF OEO SEEN AS PREMATURE

Senator WILLIAMS. Dr. Watts is the head of the Institute of Research on Poverty. Is that one the prime contractor?

Mr. WILSON. Yes, sir.

Senator WILLIAMS. What was his background?

Mr. WILSON. Professor Watts has a Ph. D. in economics from Yale University. He graduated from the University of Oregon as an undergraduate student. He then taught on the faculty as an assistant and associate professor of economics at Yale University for 5 years.

He then went to the University of Wisconsin as professor of economics and director of the Institute of Poverty Research.

Senator WILLIAMS. A well qualified individual, in your opinion?

Mr. WILSON. Yes, sir, very well qualified, in my opinion, and highly respected within the profession.

Senator WILLIAMS. I understand he is the one who designed this project. In May 1969, in a paper read before the American Economic Foundation, he stated that he did not expect that reliable results would be available to 1971, and I understand that he thinks this preliminary report was premature and that any conclusions derived thereon may be somewhat hasty.

Do you agree with him, or do you disagree with him?

Mr. WILSON. Senator, there is no disagreement between Professor Watts and myself. The paper that you have referred to was published, as you said, I think, in May 1969. That paper was delivered, as I recall, at the December 1968 American Economic Association meeting.

I think it is important to point out that what Mr. Watts was trying to discuss in that paper was that the project we are discussing is the first social experiment that has ever been conducted in this country. We didn't know whether it would have to run for 2 years, 3 years, or 4 years, before we could get meaningful and significant results. No one knew. What we could suggest was that it might take anywhere from the first 6 to 12 months for people to become acclimated to receiving these benefits, and that the results might be biased during the initial part of the experiment.

We didn't know whether it would be 1 month or 12 months.

Furthermore, toward the end of the experiment, it was possible that the answers that will be given might be somewhat biased because participants will be anticipating the end of the experiment.

Again, we don't know whether that will bias the last 6 months or the data on the last 1 month of data. We felt that somewhere in between you might be getting somewhat unbiased results.

We do know that we can look at these results, as you are, and subject them to standard statistical analyses to see what the changes are that are occurring. For the preliminary report, we had 9 months of

data in Paterson and Passaic and 12 months of data in Trenton. We made a decision to examine the information because we had standard tests which we could apply to determine whether there was a difference.

We have continued to examine the data to see if our findings, the preliminary findings and statements, were indeed correct. This is what Mr. Watts was referring to. It is a problem that confronts any social science experiment—whether the results are biased. After careful analysis, our judgment is that they are reliable.

Senator WILLIAMS. I understand what he is referring to. He is referring to the fact that in his opinion—we both accept he is a reliable individual—a premature report may not be the basis for a guide of action.

WORK EFFORT UNDER THE NEW JERSEY EXPERIMENT

Now, the Chairman referred to this report submitted to the Ways and Means Committee by your organization wherein you stated:

We believe that these preliminary data suggests that fears that the Family Assistance Program could result in extreme unusual or unparticipated responses are unfounded. Furthermore, we believe that these preliminary data from the New Jersey project area indicate that a Family Assistance Program is practical.

The data suggested that. There is no evidence that work effort declined among those receiving income support payments. On the contrary, there is an indication that the work effort of participants receiving payments increased relative to the work effort of those not receiving payment.

That goes on from page 3 of your report, which was filed on February 18, 1970, and was submitted to the Ways and Means Committee.

Do you still agree with that statement?

Mr. WILSON. Yes, sir, I still agree to that statement, and I further refer you to a paper by Prof. Harold Watts that you have in front of you. He goes through a complete analysis of the data, and reaches the same conclusions as those in the OEO preliminary report.

Indeed, we did have enough evidence to state in general there would be no substantial unexpected large decline in work effort, and thus no substantial increase in the cost of the program over and above the cost estimate based on the assumption of a pretty much constant work effort.

In other words, a 40 percent or 50 percent reduction in work effort was not to be expected.

We do not have enough evidence to state what the differences would be between the plans. We had only tentative evidence that would even suggest there might be an increase in work effort, and in our preliminary report we said that it was only suggestive.

I refer to page 18 of Professor Watts' paper where we have the statistical evidence on which you could make such a statement; we do not make that statement. We say there will be no substantial decline.

Senator WILLIAMS. Well, I have read his statement and he is going to testify later, so we won't go into that point.

I would only say if he ever endorses a project of mine I hope he doesn't use the same language.

REASONS FOR THE PRELIMINARY REPORT

But, continuing, I notice that about the time of this report you, too, had some reservations. There was an article appearing in the New York Times Magazine just a couple of months ago featuring Dr. John Wilson, Research Director of the Offices of Economic Opportunity, where you described this report, and I would like to quote from that:

I sat down to write a report, Wilson recalls, with a rueful grin, and I took it to Pat Moynihan. Pat jumped all over me. He stalked out of the room waving his arms, that Irish temper of his flaring. "Wilson," he said, "You mean to tell me that you have had a \$5 million experiment running in New Jersey for almost two years now and you don't know what you have got."

Apparently this is quoting you:

I tried to explain that you had to let the experiment run its course before you could evaluate your data. "Wilson," Pat snorted, "the fact is that you haven't got any answers. Why don't you have answers? That is the trouble with economists. You never have any facts until it is too late."

Continuing quoting from this article, and I might say it is also interesting to write articles and read them:

He got me so mad I said dammit, I will get some answers.

This confrontation took place on a Thursday. Wilson returned to his office and he said he stewed about the decision he had to make all the rest of that day and most of Friday.

The first sizable group of families in the experiment had been getting aid for only about 15 months. Wilson doubted that this was enough to show any positive trend. He was afraid that a premature compilation of data might jeopardize the whole experiment, that he decided, with political pressures what they were, that he had to chance it.

Now, in view of the fact that Dr. Watts, who we both accept as a qualified individual, who is the prime contractor in this, felt very strongly that the premature report would not be the basis of a sound conclusion, and in view of the fact that apparently you, too, who are recognized as a qualified representative, felt very strongly about it, and the GAO in their report, they have questioned the wisdom, I am wondering just how much attention we should pay to the last part where political pressures what they were, that you had to chance it.

Is this a political report to justify a conclusion or do you think it is based on fact? And at what point did you change your mind and decide this had some constructive support rather than just being political, something of a political decision that you were going to make to justify a position that you thought the administration wanted to take?

Mr. WILSON. Senator, indeed Pat Moynihan and I have had a very colorful relationship. A Missourian like myself ended up at Yale, and a New Yorker ended up at Harvard, one as a sociologist and one as an economist. But Pat and I are very close friends and we engage in these dialogs—sometimes they border on monologs.

Pat and I have been discussing the role of social science research as it relates to public policy and analysis. The basic problem that I faced in making the decision to release the report was that 2 years ago, under a previous administration, it was determined to run an experiment called a "Graduated Work Incentive Experiment."

And no one in their wildest imagination at the time could envision that there would be something called a "Family Assistance Plan" being proposed today.

The experiment was designed and our previous thinking was to run it for 3 years. It was to run for 3 years because we had no idea whether it would be 1 year, 2 years, or 3 years before we could get conclusive data.

We set out to collect data. The question then becomes, if a policy issue is being debated in public arena and you have information and it is well known that you have this information, at what point can you make it available, at what point can you provide that information to people who have to make decisions?

We made a decision that that information should be made public, that indeed we should at least examine it and see if there were any significant results.

Now, you can look at the data and you can say you have standard tests to see whether it was significant or not significant. You can raise the type of discussions that we are engaging in today about the validity of the data. I can certainly address the issues that have been raised by the General Accounting Office as to the basic methodology and data. Those issues have been raised on many occasions and in many different arenas.

We did not pull the data to substantiate any predetermined conclusion for the simple reason that we had no predetermined conclusion built into the experiment.

The experiment was designed to see if there was a decline in work effort among those receiving payments.

I was asked to answer, does work effort decline 10 percent? Do we have to increase our cost estimate by 10 percent because of the decline in work effort, or is it 12 percent, or zero, or maybe it is 50 percent?

So we pooled the data, and the data would have to fall as it came out. In other words, if that data said there was a decline in work effort, that is what we would have stated. We are simply stating that the data we have now shows no decline in work effort.

If we had found 10-percent decline in work effort, that is what we would have stated. If there had been a 20-percent decline, we would have stated that. And when the data was pooled, if the Office of Economic Opportunity said we could not show the data because it showed such a substantial decline, certainly Mathematica and the University of Wisconsin could still have published it.

Senator WILLIAMS. When did that article appear?

Mr. WILSON. When did what article appear?

Senator WILLIAMS. The one from which I just quoted.

Mr. WILSON. This I don't recall, Senator.

Senator WILLIAMS. I understand it was April of this year, which was about 2 months after you had submitted a report, and that is the reason that I was attracted to your criticism of the fact that his report could be considered reliable or the manner in which it was compiled, because this was after your February report.

Mr. WILSON. As I recall, the article was quoting me, and where they obtained the quotes I don't know. But it was quoting the process I was going through in making the initial decision whether to examine the

data, and the decision was made jointly by Professor Watts and myself. After examining the data, I was convinced it was reliable.

I requested the data from Professor Watts. I cannot demand the data from him. I made a request to Professor Watts. Is there anything in the experiment that would give us a lead on how much it would cost, from a cost point of view, for a New Jersey type program?

The CHAIRMAN. Senator Bennett.

Senator BENNETT. I have just one question. I have not been studying the basic documents as my colleague from Delaware has. But it seems to me if you find no difference in reaction to 25-percent tax, or 50-percent tax, or 70-percent tax, then it is logical to assume that there would be no reaction from a zero tax or a 100-percent tax.

In other words, this whole process has no effect. You can't measure any effect that this process has on the work attitudes of people. So we can assume that, if you give them no money, they work just as hard as if you double their income.

Mr. WILSON. Senator, I would not go to the conclusion that there would be no difference between a zero and a 100-percent tax. There is evidence around to suggest that the 100-percent tax which does exist under the current welfare system in certain cases, when you add everything on, does have a disincentive effect.

You will see bunching at a point, before they jump over into a much higher tax bracket.

What we do have out of New Jersey is that we have not to date seen significant differences in the impacts of the three plans that we have. We have looked at this. This is not to say that they might not exist in the future. This is what the experiment is designed to determine as a secondary portion to the aggregate issue of whether in general there would be a decline in work effort.

We don't have sufficient data to differentiate among the plans, but the data that we do have is the best that is available anywhere right now. I am not about to say that that could not occur in the future.

Senator BENNETT. Well, the difference between 25 and 70 is approximately 45 percent. It represents approximately half of the potential available and you detect no difference?

Mr. WILSON. We detect no difference, but that is very preliminary and if you ask my best professional judgment I would say there will be a difference. But that is just a judgment at this point. I have no data to back that up.

The CHAIRMAN. Senator Jordan.

SELECTION OF NEW JERSEY FOR THE EXPERIMENT

Senator JORDAN. Mr. Wilson, I want to clear up a few points that are not clear to me, and I haven't had a chance to read this voluminous report.

Tell me why did you select New Jersey as a site for your experiment, in the first place?

Mr. WILSON. Yes, sir. Our initial consideration in trying to select a site for the experiment varied between going nationwide, using a complete national sample, to selecting a very small, limited, homogeneous group of households in one area, not even having the diversity that we have now.

So we ranged between these, and a middle position was adopted. We said we did not have the administrative capability to go nationwide since we never conducted a large social science experiment before, but we said we didn't want to keep it so narrow that it might be irrelevant for policy analysis and policy purposes.

So we decided to broaden it out and do a rather diversified population but concentrate it in one geographic area. New Jersey offered us this diversified population—whites, Puerto Ricans, and blacks.

Since there would also be some interaction of public assistance programs administered at the State and Federal level, we had to deal with and get the cooperation of the State welfare agency. So we had to look for an area where we could get this cooperation and indeed New Jersey offered us very close cooperation from this point of view. We had to check records back and forth, and we will recognized that some of our families would be under welfare in both the experimental and the control groups.

We also had a desire for a State with several distinct and diversified labor markets. We had that in New Jersey, so we could measure variance on this aspect.

We wanted a place, from an administrative standpoint, that was in close proximity to Princeton, N.J., where a lot of the people in the design and operation of the experiment were located, and where Mathematica was located. New Jersey offered this advantage.

Finally, we viewed the absence of AFDC-UP as desirable from an administrative point of view. We can easily control for AFDC-UP, though the General Accounting Office raised some questions about this. There is no problem controlling for it in a statistical analysis; it simply complicates the administration of the experiment.

For all of those reasons, New Jersey was selected as the site.

Senator JORDAN. In what respects is the New Jersey location unrepresentative of the population that would receive welfare under the administration's welfare bill, and how do you expect to extrapolate from your New Jersey experiment nationwide?

Mr. WILSON. We don't intend to extrapolate from our New Jersey experience nationwide. Indeed, we cannot. The New Jersey experiment is urban and male oriented. But if you look at the segment of the population for which you could anticipate the largest decline in work effort and, therefore, you could make your greatest error in trying to price out the family assistance plan, it is the male-headed families who work a full year.

Now, of all of the male-headed families who work a full year that would be available for the family assistance plan, 75 percent of them are in an urban area. That is the best estimate I have.

There we made a decision the New Jersey experiment fits the critical target population where you might anticipate the biggest error in trying to get a cost estimate for the family assistance plan.

Senator JORDAN. But it will have limited usefulness to us or anyone else who wants to use the results of the study on a nationwide evaluation of what would take place?

Mr. WILSON. It would have limited usefulness. It does not cover female-headed families or rural families.

**EFFECT OF LIBERALIZATION OF NEW JERSEY WELFARE LAWS ON THE
EXPERIMENT**

Senator JORDAN. What effect did the liberalization of the New Jersey welfare laws have on your experiment?

Mr. Marvin said that a law that was effective in January 1969 liberalized the New Jersey welfare payments and there was an attrition from your selected families of 34.2 percent in the low bracket, 27.5 percent in the medium bracket, and 6.3 percent in the high bracket.

Mr. WILSON. Yes, sir. I do not view the families we have on welfare as lost by attrition from the experiment. Indeed they are not lost. We still collect data. We can use the information that we collect in our analysis. The real attrition rate involves those families who we no longer have track of, who have moved out, or dropped out of the experiment and maybe have gone on welfare. We have no track of them and we are no longer collecting data.

Senator JORDAN. Sixteen percent of—

Mr. WILSON. Sixteen percent in Trenton, Paterson, and Passaic. Now, what we did, when we started getting this attrition rate, we made the necessary adjustments, particularly when the AFDC-UP was passed in New Jersey. We introduced the high benefit level plan. We increased the sample size by 300 families. In our design of the experiment we anticipated a 20- to 25-percent attrition rate. Absolute loss of families.

When we had the 16 percent in those first three cities, we decided to increase the size by 300 families to get more data. That we have done. We added another city, Scranton, Pa., which has AFDC-UP. It was ongoing. It was relatively stable and therefore it was known. We could easily consider this in our analysis.

In the Jersey City and Scranton areas our attrition rate is running 5 percent. We think that this tremendous reduction in attrition is due to the measures that we have undertaken.

We do not view the attrition as indeed serious. In our initial planning we anticipated a 25-percent attrition rate, and that is quite normal for any long-term longitudinal study which tries to follow a family over a period of years.

Senator JORDAN. You are following these people who have chosen to go on welfare rather than further participate in the plan?

Mr. WILSON. Yes, sir.

Senator JORDAN. But how do you use them in your statistical evaluation, in which of the eight classes do they fall?

Mr. WILSON. You can treat those families who have AFDC-UP in one of two ways, and indeed we treat them in both ways.

The first, and this is the type of evidence I am giving today, we can say that the fact that these people in the experimental and control groups are on welfare makes no difference because both families are subject to the same type program, just as they are subject to the same type jobs, just as they are subject to the same type veterans benefits and social security.

These are things you want the control for.

The critical element that varies is the option among the experimental families to receive the type of benefits that we provide. That option is not available to the control families. So we can treat them in that sense.

Secondly, we can treat it in a mathematical analysis because we know what the tax rate is to those on AFDC-UP and we know what the benefit level is.

We just use those tax rates and those benefit levels and include them with the rest of our data. And that is what we are doing.

WORK EFFORT UNDER THE EXPERIMENT

Senator JORDAN. When you draw a tentative conclusion that your results so far show no decline in work effort, how do you classify the 34.2 percent who chose to go on total relief rather than participate?

Mr. KERSHAW. They are considered included in the analysis. That may have given some biased data at the end.

Mr. WILSON. Let me add that if these families left these programs to go on welfare, then you would have to say that the bias was downward. This means they were reducing their work effort, which means our benefits would have increased. So we had to build in an incentive for them to stay in. We don't think there was that much bias at all, because of the incentive to stay in our plan, and because they have to reduce their work effort to go under AFDC-UP. Once they did that, calculated benefits would automatically increase. Even given this downward bias, our results show no significant decline in work effort.

Mr. KERSHAW. Many of the families who went from being beneficiaries of the experiment to welfare were families where the male earner was disabled or left the home and so became female-headed families, but the incomes were still counted in the final analysis. I think what Mr. Wilson is getting at is their incomes tend to be slightly lower. But in order to get a large enough sample size we included them, and this gives a downward bias.

Senator JORDAN. Did I understand Mr. Wilson to say in just the last sentence he spoke that when these people elected to go on welfare you increased their payments?

Mr. WILSON. No, sir. When they elected to go on welfare they had to drop out of—they could no longer receive benefits in our program. Had they stayed in the program and reduced this work effort, benefits would have increased.

Senator JORDAN. What did you state on the last?

Mr. WILSON. What I am saying is, I was referring to the bias that that may introduce in our data. And our program is built to keep them in our program.

If they reduce their work effort, they are going to get more of our payments. To go on State welfare, they would also have to reduce their work effort. We analyzed that and we don't think, to the best of our knowledge, that has biased our saying what we generally state: There has been no decline in work effort.

We can treat them with standard statistical methods.

Senator JORDAN. I don't understand what you are saying, but I will yield.

The CHAIRMAN. Senator Byrd.

JOB SECURITY

Senator BYRD. Mr. Wilson, your report says that job stability is twice as important as any other aspect of the job.

Would you comment on that?

Mr. WILSON. Yes, sir. We asked these families on the interviews, what aspect of your job do you consider to be most important, first, second, and third? We have listed the options—high salary, interesting work, fringe benefits, stability, things like that. What we have found is that these families very strongly prefer a stable job, a permanent job, with no probability of layoff, even as opposed to high wages or opposed to better working conditions. And that is what that statement refers to.

Senator BYRD. The most important factor you found to be then the job security?

Mr. WILSON. Yes, sir.

COST OF THE PROGRAM PER FAMILY

Senator BYRD. You estimate the cost between \$200 and \$300 per family per year, administrative costs under the existing program.

That excluded the cost of training and services?

Mr. WILSON. Yes, sir.

Senator BYRD. So that is another way of saying that the administrative costs of the present welfare program run between \$200 and \$300 per family per year, excluding the cost of training and services?

Mr. WILSON. Yes, sir.

Senator BYRD. You estimate the total cost for the family for the type of administration involved in the experimental program in New Jersey to be between \$72 and \$96 per year?

Mr. WILSON. Yes, sir.

Senator BYRD. That is exclusive of work training?

Mr. WILSON. Yes, sir.

Senator BYRD. Could you indicate why there would be that rather substantial difference in administrative costs?

Mr. WILSON. The substantial difference occurs in the cost of the time spent by welfare workers in verifying the eligibility of welfare recipients. We know that it is much less costly to simply have the family fill out the form as is done under the Internal Revenue system and mail them in with the audits on the return and make the payment.

So the major difference is the cost of those welfare workers, the time they have to spend on verification and the determination of eligibility as opposed to the delivery of social services.

POLICING THE PROGRAM

Senator BYRD. How do you police the system? Suppose I fill out a card and send it in and I automatically become the beneficiary of public assistance?

Mr. WILSON. No, sir; these families were selected initially to participate.

Senator BYRD. I was not speaking of the experiment at that point, I was speaking now, assuming the program is enacted.

Mr. WILSON. Yes, sir.

Senator BYRD. And I, or anyone in the room, who would fill out a card would automatically go on public assistance?

Mr. WILSON. I think an initial determination would definitely have to be made. I can tell you what we do in New Jersey once the determination has been made. They send in these forms every month

and they include their payroll stubs so we can verify their reported earnings. For the first 4 months we made copies of all of these payroll stubs.

Now, we use them for audit purposes and then mail them back to the families, since they need them for their records. That is a very effective way to find out what their earnings are.

We check their W-2 forms at the end of the year to make sure the total reported as income as of up to what they report to the I.R.S.

Mr. KERSHAW. We audit all families on a "for cause" basis.

Senator BYRD. I didn't understand you.

Mr. KERSHAW. If a family's income falls to zero, we would audit that family automatically under the assumption that they were misreporting, or to determine what had happened. If there are any large changes in income we would also audit the family. Under the national system we could do that automatically, if your computer program indicated a large difference in income. You could automatically flag a family in doing an audit. We use the family social security history. Each family submits a card asking the Social Security Administration to submit its income history and we compare that to the income report we are getting.

We are contemplating now an audit of 10 percent of the families in the experiment, using some technique which really hasn't been developed yet but which we hope we can develop.

The Internal Revenue Service tends to ignore the very low income family because there is not much yield per dollar investigation, so we are going to try a net worth system to determine whether the family asset holdings have increased disproportionately to its earnings, and a consumption test to see whether the purchase of goods and services indicate an income level above what they have reported. So we are still making efforts to develop an effective audit.

Senator BYRD. When you use the figure \$72 to \$96 per year, does that take into account the procedures that you have just mentioned?

Mr. KERSHAW. Yes, sir.

Senator BYRD. Thank you, Mr. Chairman.

Senator ANDERSON. Are you familiar with the pamphlet "Institute for Research on Poverty"?

Mr. WILSON. I am familiar with the traditional one. Is this the one I handed out?

Senator ANDERSON. Yes.

Mr. WILSON. The one by Harold Watts called Adjusted and Extended Preliminary Results from the Urban Graduated Work Incentive Experiment—yes, sir.

Senator ANDERSON. On table 1, page 9, it says racial distribution.

Is there a division between Spanish American and other Anglo-American?

Mr. WILSON. Yes, sir; I see that.

Senator ANDERSON. Now, on page 14, the rate is also higher for the Spanish-speaking part of the sample.

Do you recognize a difference in Spanish speaking and Spanish racial causes?

Mr. WILSON. I certainly recognize the difference between Spanish speaking and Spanish.

Senator ANDERSON. I think it is a bad paper and it should be corrected. I do think it is a poor classification.

Mr. WILSON. Yes, sir.

Senator ANDERSON. There is also a table 11, and again it shows white, black, and—

Mr. WILSON. This is table 11?

Senator ANDERSON. Yes.

Mr. WILSON. I think Professor Watts was simply trying, as I said before, to give you as much information as possible. We certainly understand your feeling.

Senator ANDERSON. That is fine, but there are complications.

Mr. WILSON. Yes, sir.

Senator ANDERSON. On page 31, table 13, it shows different patterns for the black and Spanish-speaking subsamples?

Mr. WILSON. Right.

Senator ANDERSON. I think those are essentially unfortunate words.

Mr. WILSON. Yes, sir.

WORK EFFORT

The CHAIRMAN. Mr. Wilson, chart 6 on page 15 of the February OEO report is supposed to show that low-income people are strongly work motivated. I wonder if the figures that you show on that chart really indicate that, since these individuals who by definition have inadequate incomes, you would think that nearly all of them would aspire to a better job.

Yet by your figures 35 percent seem to be satisfied with what they have, and when you start talking about what they would have to do to get a better job, like moving or taking a temporary pay cut or moonlighting, the numbers interestingly drop still further.

Do you have comparable figures showing the attitudes on these issues of people in the population generally?

Mr. WILSON. Not to my knowledge.

The CHAIRMAN. Is there existing information specifically addressed to those questions for the total population?

Mr. WILSON. The reason we included that chart in our preliminary findings is that once we found out there would be no substantial decline in work effort, we asked ourselves the question, "Why?" We asked ourselves this question because, using traditional economic theory, I could show you that there would be a decline. In theory it should have declined; why didn't it?

And so we were searching, as social scientists do, for reasons, and we found by looking at this data that these people have a rather stronger desire to work than might have been anticipated by many professional social scientists. These people want to work and want a job.

They want a mechanism that will assist them in getting meaningful employment. That is why these data are included.

WORK DISINCENTIVES

The CHAIRMAN. I suppose that before the hearing is over we will start using the term "the welfare tax" where we will be referring to the amount that a person loses on his earnings as the result of reducing his

welfare. As a matter of fact, it works out just exactly the same. If you are going to reduce a man's welfare payment by 80 percent of what he earns, that works out the same as taxing a man 80 percent on his income.

I see you are nodding your head. You agree that is the case. The more I have thought about it, the more I have come to equate a poor man's cut, or poor woman's cut in their welfare check when they go to work with the tax that we put on someone else's income. It works out exactly the same way.

On the average, in this bill, for every dollar someone makes, he has his income reduced by 80 cents. That is his welfare tax. And in private industry we have found that to be a very frustrating thing to highly motivated people who have been very successful. I don't see why it should be any different with welfare clients and I don't know what evidence anyone has to indicate that where it gets to be a 100-percent tax is going to be any motivation at all.

You may have some, but I just don't see it. Do you think you have it here?

Mr. WILSON. I would say we have evidence here—I have no evidence that says that with a 100-percent tax rate—that was not included in the experiment. If you ask me for my professional opinion, definitely a 100-percent tax, whether it is on welfare recipients or those who earn income, a marginal tax rate of 100 percent would have a definite disincentive effect on work effort. I don't think we can deny that.

The CHAIRMAN. My reaction is that you can't get the most successful and highly motivated people in America to do much if they are confronted with an 80-percent tax. And if they are confronted with a 100-percent tax, they will tell you to go and jump in the river—and that is using a polite term.

Now, there is just no reason to expect welfare clients to react any differently.

Furthermore, from time to time we have voted for a 100-percent tax. Senator Williams had an amendment where he thought someone was doing something that we should encourage, and he proposed we put a 100-percent tax on it. The whole purpose of it was to see that they do not do it.

Senator WILLIAMS. That was a bribe to a public officials.

The CHAIRMAN. My recollection was it had something to do with conduct of private foundations, that he thought they should not be encouraged, and he wanted to put a 100-percent tax on it, and I voted for it.

Now, when we cut someone's welfare by 100 percent of everything he earns, I would think you would have the same impression, that the Government doesn't want him doing that, and that is why it puts a 100-percent tax on it.

Do you see why welfare clients would have any different reaction to it?

Mr. WILSON. I see no reason why welfare clients would have any different reaction, and I agree with you—the 100-percent tax rate would have a strong—I have no evidence to the contrary—I agree with you 100 percent.

FAMILY BREAKUP UNDER THE EXPERIMENT

The CHAIRMAN. Thank you. In chart 9 of your February 18 report you show an indication that families getting grants under your experiment tend to break up more than those not getting grants. And I note that this single occasion, which the figures tend to argue against H.R. 16311, is also a single occasion when you saw fit to emphasize the "extremely tentative" nature of your data, and also to bring up outside data in chart 10 to dispute the results of your own information.

Can you explain why your information as to the number of husbands and families is more tentative than your information as to the amount those husbands were earning?

Mr. WILSON. Yes, sir; Mr. Chairman. We only had 36 families who broke up.

Now, what we were saying was that the experiment was not designed primarily to get at family stability. We designed the experiment to get at the effects on work effort. If we had designed the experiment to get at family stability, we would have probably had 10 times as large an experiment as actually conducted. I was asked, "Do you have anything in New Jersey on family stability?" With only 35 families or 40 families or 50 families, that is not sufficient data, and I would say that the census data based on much larger samples is much more accurate.

FEDERAL SUPPORT FOR LEGAL ACTION CHALLENGING WELFARE LAWS

The CHAIRMAN. I have a newspaper account here of a document entitled "Know Your Welfare Rights" prepared by an attorney on the staff of the Tulare County, Calif., Legal Services Association, which I understand is OEO-funded.

This document advises Tulare County welfare recipients there is no good reason why Welfare can force you to work, no matter what your social worker says. That is a statement which is absolutely false, says the Office of Economic Opportunity, in the position of underwriting efforts to undermine the work-incentive program which was passed in 1967.

I will ask that this newspaper article which I refer to be made a part of the record at this point.

(The document follows:)

WELFARE PAMPHLET WITHDRAWN—"YOU DON'T HAVE TO WORK" ADVICE STIRS ROW

VISALIA.—Protests of some Tulare County residents have halted the distribution of pamphlets informing people of their welfare rights.

The eight-page booklet, "Know Your Welfare Rights," was prepared by the Tulare County Legal Services Assn., a community action group working with federal antipoverty funds.

The association said it was intended to inform the poor of their rights with the welfare department. Opponents of the pamphlet say it tells people how to get on welfare rolls—but not how to get off.

Protests began shortly after publication. Complaining citizens told directors of the legal aid group they objected to the language and attitude of the document.

It begins:

"How can I get on welfare? If your income is less than you would get on welfare, you can get money from the welfare department."

The paragraph that brought the angriest reaction is:

"If you don't want to work: There is no good reason why welfare can force you to work, no matter what your (social welfare) worker says."

Louis LaRose, a Visalia attorney and president of the board directing the legal service organization, told a recent delegation of complaining citizens that that the pamphlet was printed without the knowledge or permission of the board.

"We did not read it at all before it was issued," LaRose said.

To prevent repetition of such difficulties, the board decided in the future to review all staff publications before they are printed.

The author of the pamphlet is Earl Dunn, the single staff attorney in the legal aid office since October, 1968. The advice, he contends, is legally sound.

But Hilmi Fuad, Tulare County Welfare director, says the pamphlet is misleading.

"Whenever a person whose knowledge of welfare is limited tends to simplify complex regulations, the result is that the person who reads it casually tends to be misled," he said.

The legal services office was established two years ago as a delegate agency of the County Community Action Agency, a local antipoverty project funded by the Office of Economic Opportunity.

The CHAIRMAN. Do you have any comment about that matter?

Mr. WILSON. I am not a legal services expert, since I am not a lawyer. But Mr. Hjernevik, representing the agency, can address himself to that.

Mr. HJORNEVIK. Based on what I have heard, it does not sound proper. I will be happy to look into it for you.

The CHAIRMAN. My fear is that that information was given to these people, and that is part of the difficulty that we have had in trying to prevail upon people who are drawing welfare payments to go to work.

Senator WILLIAMS. Would you furnish the committee the amount of the grant, if any?

Mr. HJORNEVIK. Yes, sir.*

Senator WILLIAMS. And the dates, and so forth. The dates that the grants were approved.

Mr. HJORNEVIK. Yes, sir.

The CHAIRMAN. I notice that the OEO has in some cases apparently been supporting these efforts to challenge the various welfare decisions in State laws, for example, on the duration of residence requirements.

On April 21, 1969, the Supreme Court ruled in three cases—*Shapiro v. Thompson*, *Washington v. LeGrant*, and *Reynolds v. Smith*—that it was unconstitutional for any State law to impose a duration-of-residence eligibility requirement for public assistance. Was that litigation OEO funded?

Mr. HJORNEVIK. I don't know, sir, offhand. I will have to check.

The CHAIRMAN. Would you obtain that information for us and let us know about that?

Mr. HJORNEVIK. Yes, sir.

The CHAIRMAN. I have a memo on three other cases, one involving the man-in-the-house rule being voided; another requiring that hearings be required before welfare assistance can be terminated; another regarding denial of welfare for refusal to allow caseworkers in the home; and another involving the refusal to name the putative father not being grounds for denial of welfare funds.

I will submit this memo and ask would you please advise us to what extent the OEO has funded this litigation.

* See p. 970.

Mr. HJORNEVIK. Yes, sir.

The CHAIRMAN. Directly or indirectly.

Mr. HJORNEVIK. Yes, sir.

(The memorandum referred to by the chairman and a memorandum subsequently received from the Office of Economic Opportunity follows:)

FEDERAL SUPPORT FOR LEGAL ACTION CHALLENGING WELFARE LAWS

Mr. Wilson, as you know, the courts in the last two years have made significant decisions amounting to welfare legislation in a number of areas. I will name just a few cases:

(*Duration of Residence Requirements Prohibited*) On April 21, 1969 the Supreme Court ruled in three cases (Shapiro v. Thompson, Washington v. Legrant, and Reynolds v. Smith) that it was unconstitutional for any State law to impose a duration of residence eligibility requirement for public assistance.

(*Man-in-the-House Rule Voided*) On June 17, 1968, the Supreme Court ruled in King v. Smith that a State could not consider a child ineligible for Aid to Families with Dependent Children when there was a substitute parent with no legal obligation to support the child.

(*Hearing Required before Assistance can be Terminated*) On March 23, 1970, the Supreme Court ruled in two cases (Goldberg v. Kelly and Wheller v. Montgomery) that assistance payments could not be terminated before a recipient is afforded an evidentiary hearing.

(*Denial of Welfare for Refusal to Allow Caseworker in Home*) In August 1969, a U.S. District Court in New York, in the case of James V. Goldberg, ruled, on constitutional grounds, that New York State could not terminate welfare payments to a recipient who refused to allow a caseworker in her home.

(*Refusal to Name Putative Father not Grounds for Denial of Welfare*) In August, 1969, the U.S. District Court in Connecticut ruled in the case of Doe v. Shapiro that a mother's refusal to name the father of her illegitimate child could not result in denial of Aid to Families with Dependent Children. (On January 28, 1970, the Supreme Court rejected a motion of appeal by Connecticut on the grounds that the State failed to docket the case within the prescribed time—in this case two days late.)

Has the Office of Economic Opportunity directly or indirectly supported the legal efforts in any of these cases? Is it true that in most of these cases the lawyers who brought the cases to court were paid from Federal funds?

OFFICE OF ECONOMIC OPPORTUNITY,
EXECUTIVE OFFICE OF THE PRESIDENT,
Washington, D.C., September 3, 1970.

Memorandum to: Wesley L. Hjernevik, Deputy Director.

Subject: Senator Long's Request For Certain Information During Dr. John Wilson's Testimony Before The Senate Finance Committee On August 19, 1970.

I. Welfare Litigation.—Senator Long asked that we furnish the Senate Committee information regarding the involvement of the Office of Economic Opportunity in a series of recent court decisions having a significant impact in the area of Welfare Law. Committee Counsel furnished us a copy of the decisions to which the Senator had reference. One or more Legal Services projects was involved in each of these decisions either as counsel for one of the parties or in an "of counsel" or "amicus curiae" status on behalf of individuals or groups having an interest in the outcome of the litigation. A list of the Legal Services projects involved in these cases is set out below.

Durational Resident Requirements Prohibited: Shapiro vs. Thompson. 394 U.S. 518 (1969). The counsel in this case was Hartford, Connecticut Legal Services Program. *Reynolds vs. Smith. 394 U.S. 618 (1969).* The counsel in this case was Community Legal Services in Philadelphia, Pennsylvania. *Washington vs. Legrant. 394 U.S. 618 (1969).* The Washington, D.C. Legal Services Program was counsel in this case. These three cases involve the same legal issue and were decided together. The Center on Social Welfare Policy and Law at Columbia University (hereinafter referred to as Welfare Center) filed an amicus brief in the three cases.

Man in the House Rule Struck Down by the Supreme Court: King v. Smith. 392 U.S. 309 (1969). The welfare Center filed an amicus brief in this case.

Hearing Required before Termination of Assistance: Goldberg v. Kelly. 397 U.S. 254 (1970). The Welfare Center and Mobilization for Youth, a New York City Legal Services Program were counsel. In **Wheeler v. Montgomery.** 397 U.S. 269 (1970), the San Francisco Legal Assistance Foundation was counsel and several legal services programs were amici.

Denial of Welfare for Refusal to Allow Caseworker in Home: James v. Gold-berg. 303 F. Supp. 935 (S.D.N.Y. 1969); prob. juris. noted 397 U.S. 904 (1970), sub. nom. **Wyman v. James** Mobilization for Youth and the Welfare Center were counsel

Refusal to Name Putative Father not Grounds for Denial of Welfare: Doe v. Shapiro. 302 F. Supp. 761 (D.C. Conn. 1969); App. dismissed 396 U.S. 488 (1970). The Waterbury, Connecticut Legal Services Program was counsel and the Welfare Center was of counsel.

The Office of Economic Opportunity provides funds to 265 Legal Services projects around the country. Each of these projects is a private not-for-profit corporation governed by a board of directors comprised of citizens from the locality served by the program. In most cases, a majority of the board is made up of attorneys practicing in the area. In Fiscal Year 1970 these Legal Services projects furnished assistance to approximately 800,000 poor persons. Approximately 7% of the matters handled were in the Welfare field.

The cases referred to by Senator Long are significant decisions which interpret federal and state welfare laws and regulations in the light of traditional statutory and constitutional standards. In each of these cases, the courts ruled that the practices being challenged were inconsistent with these standards and the decisions brought about changes in the law or in the manner in which it was administered. This, of course, is the traditional way in which courts review legislation and the administration of legislation to insure that statutory and constitutional standards are adhered to.

II. Tulare County Legal Services Program.—Senator Long and Senator Williams also asked that we furnish information regarding the Tulare County (California) Legal Services program.

The funding history of this program is as follows:

Year:	Amount of grant
FY 1967.....	\$75, 000
FY 1968.....	40, 000
FY 1969.....	87, 000
FY 1970*.....	82, 892

*Approved June 2, 1970.

The Committee referred to a pamphlet which this program prepared and distributed dealing with the subject of welfare and suggesting that welfare recipients should not be required to go to work. Our investigation disclosed that the pamphlet in question was written and printed in January 1969 and about 500 copies were then distributed. The pamphlet was not approved by the Office of Economic Opportunity or by the board of directors of the legal services program. In March 1969, the board of directors disapproved the pamphlet and distribution was discontinued. At that time, the board established a "Pamphlet Screening Committee" which reviews all publications of the legal services program before they are distributed.

DONALD S. LOWITZ, *General Counsel.*

EXPENDITURES FOR THE NEW JERSEY EXPERIMENT

Senator WILLIAMS. Mr. Kershaw, I understand that you have a subcontract for this. Could you or Dr. Wilson tell us how this \$4.6 million has been expended, how much of it was used, was distributed as actual payment to the recipients, and how far it went to overhead expenses either to the prime contractor or at the subcontract level?

Mr. WILSON. Yes, sir; I have the right figures and I can give you the amount expended up to date, and how much we anticipate spending over the duration.

Senator WILLIAMS. Just give us up to date of each.

Mr. WILSON. The total expenditures to date are \$4.6 million. Of that, \$2 million has been made in transfer payments; research costs have been \$1.5 million; planning of the experiment was \$620,000; administration \$325,000, and the payments to the control families for submitting data was \$162,000.

Senator WILLIAMS. \$2.1 million was distributed in payment to the families under the experiment, or the control—

Mr. WILSON. Yes, sir.

Senator WILLIAMS. And about \$2.1 million was in various other administrative work, preparing papers, et cetera?

Mr. WILSON. Yes, sir.

Senator WILLIAMS. What were the salaries allowed in this? What was your salary?

Mr. KERSHAW. \$25,000 a year.

Senator WILLIAMS. What are the general range of salaries of the top officials on this?

Mr. KERSHAW. Well, you mean in the administrative staff?

Senator WILLIAMS. Either.

Mr. KERSHAW. Well, in the experiment, there are several different groupings of salary classifications. For support staff—that is, office managers, girls in the office, and those calculating payments—salaries range from \$6,000 to \$8,000 per year.

Senator WILLIAMS. You are talking about the top management?

Mr. KERSHAW. Yes, sir; senior research staff salaries range about \$12,000 to \$18,000.

MISREPORTING UNDER THE EXPERIMENT

Senator WILLIAMS. What was your experience in the New Jersey experiment with respect to fraud? Were there any cases detected, and if so, how were they treated?

Mr. KERSHAW. We have detected some cases of misreporting, and most of the cases it is unclear whether the family didn't understand the rules or whether it was a case of intentional fraud. And in those cases, the most common fault was where the earnings of a spouse or other earner in the home were not reported. We informed the family that we had discovered it, and if it is determined to be the fault of the family, we would recover the payment by adding it to the formula so their future payments are reduced.

Senator WILLIAMS. Adding it to the formula? You mean you recover the overpayment by giving them an extra payment and then deducting from that what you are going to give them?

Mr. KERSHAW. No, sir; we reduce it from the payment they would have gotten had there not been any fraud.

Senator WILLIAMS. You just reduce it? You don't stop the fraud then? For that reason you would be careful not to cut them off on account of the fraud, because, if you did, you couldn't collect back which you paid them over?

Mr. KERSHAW. There is that reason and also the need for experimental observation.

Senator WILLIAMS. It is interesting reasoning.

Mr. KERSHAW. I think we are very concerned to discover the extent to which there is misreporting and we are trying to observe that as best we can.

Senator WILLIAMS. Do you believe that it is possible for families to receive benefits from both the experiment and the State welfare plan?

Mr. KERSHAW. It is possible; yes.

Senator WILLIAMS. Have you had any indication where it was being done?

Mr. KERSHAW. Yes, sir. We have instituted a regular check with the welfare department to be sure there is no overlap.

Senator WILLIAMS. In those instances you just deducted it from their future payments that they would have gotten otherwise?

Mr. KERSHAW. Yes, sir; we recover.

Senator WILLIAMS. Which means you continue along with the same practice?

Mr. KERSHAW. We will continue to deduct payments.

Senator WILLIAMS. They are collecting from both and not supposed to, and if you collect the overpayments by deducting from their future payments, then you are in effect continuing the future payments; otherwise you wouldn't be collecting from them?

Mr. KERSHAW. Unless the amount of the overpayment is greater than the amount of the payment which the family has coming, in which case they would get zero. In several cases the families have dropped out because the amount of recovery was greater than the amount they had coming and there was no point in their continuing. In those cases we won't recover.

Senator WILLIAMS. I won't ask you any more questions because I am sufficiently confused now.

WORK EFFORT

The CHAIRMAN. Let me get this straight for the record. It is my impression from talking to people who live among people in poverty that they tend to feel that most of these people drawing welfare payments are not going to go to work when they can have about the same amount of income or nearly as much income without working.

Contrary to that impression, it is your belief that those people will go to work although they receive or are permitted to keep only a small portion of what they would make by working. Is that the view of your group today?

Mr. WILSON. No, sir; what I would say is that we were observing people who were highly employable in New Jersey, and indeed 92 per cent of them were working.

What we were trying to measure was would they stop working when they started receiving the transfer payments, the income supplements which we are making under the project.

I know this is a deep concern of this committee and I think those who are receiving payments, to assist them in going to work. That is why the family assistance plan has the element of day care, work

registration, work training, that were not a part of the New Jersey experiment.

The CHAIRMAN. I see. Well, my thought about the same thing is that if you simply pass that money through the employer to get it to that same person, then you would know they are not going to stop working when they receive the welfare payment. They are going to have more income but they are not going to stop work because their public income will be reduced to the same extent that their private income is reduced.

What is your reaction to that?

Mr. WILSON. I really have no reaction. I understand the Secretary of Labor has addressed that issue before this committee, but I really have no reaction to it.

The CHAIRMAN. Well, I am pleased to hear you say that. At least you are expressing your own judgment and not simply stating an administration position.

POSSIBILITY OF FAP ON AN EXPERIMENTAL BASIS

Senator Ribicoff has suggested he is going to offer amendments that we have a proper test of this proposal as well as such other proposal or proposals as the committee thinks might prove feasible and workable and might best do this job.

What is your reaction to the suggestion that, before we go into a \$4 billion program of supplementing income one way or another, that we actually try it on some basis to see how it would work, and give it enough of a test on a large enough scale so we would have confidence that it will prove to be a feasible program and a good investment of public funds?

Mr. WILSON. Yes, sir. I do not agree with the position Senator Ribicoff has stated, that we need to continue large-scale experimentation before we would have enough information to decide whether we should pass the family assistance plan or not, for the following reasons:

I think that the Secretary of HEW has stated that the current welfare system is quite inequitable. That is fairly well documented. It is inherently an inefficient system and provides recipients with incentives not to become or stay employed as we have been talking about this morning.

On paper the family assistance plan goes a long way to correct a lot of these deficiencies.

The basic information that we would want from continued experimentation, I think, are several types, Mr. Chairman. The first thing we wanted to know was if those who are receiving the payments will stop working to a very large extent; are we going to make an error and how much is it going to cost. I think we have sufficient evidence to suggest that that will not occur. In fact, in trying to decide on a family assistance plan, we probably have more hard data than has existed for any other piece of legislation that has been considered in this country. This is the first time you have had an experiment or project or experience in something that might be called a cousin to the family assistance plan.

Also, we have other experiments underway. OEO has one in rural areas. HEW has two of them and we have a demonstration project

going on in the State of Vermont, trying to get at the administrative problems that might be a part, that will be a part of the family assistance plan.

These total about \$35 million worth of effort over their duration. I would say that we indeed have enough experiments underway, running now. We have enough information that is relevant to a consideration of the family assistance plan, and based on all of our other understandings of the welfare system, we have enough to make a decision.

I do not agree that we should continue experimentations beyond the four that are in place now and the demonstration in the State of Vermont.

NEED FOR WORK INCENTIVES

The CHAIRMAN. The thing that concerns me is that I am aware of the great number of job opportunities where the person offering the job is trying desperately to get someone competent, with minimal qualifications, to go to work, and can't obtain labor, although you have large numbers of people drawing welfare payments.

One of President Nixon's objectives he stated in his campaign was to help our Negro citizens to have a piece of the action, to help them to own their own businesses and to help them get ahead in their businesses and be an important part of the business community.

I just talked to a very enterprising Negro woman yesterday evening who is working hard to make the business that she and her husband went into succeed, trying to get somebody to work for her in a job that doesn't require much training, a small amount of education.

I think someone could do it with a fourth-grade education. She is offering \$2 an hour and yet she can't get workers. People tell her that they can do better with what they can be paid by the welfare people.

And there that woman had to work 18 hours a day a few days ago, and still working those kinds of hours because she can't employ anyone to work for her, and yet here we have a welfare load that could be the envy of any city in America at the same time we have all of these high wages and jobs and all the help wanted signs all over the city.

Now, that would seem to me to be a very demoralizing thing for someone who is paying taxes on what she is earning, working 18 hours a day, that she can't get someone to work, while the people tell her that what the Government will pay them in food stamps, in rent supplements—and what it will pay them to go to school or pay them for not working—provides so little incentive for them to work that they won't even work in an air-conditioned establishment in present conditions for \$2 an hour.

I think we would do better to subsidize that job rather than just pay more people to turn the job down.

What is your reaction to that?

Mr. WILSON. My reaction, Mr. Chairman, is that you have indeed described the basic problem of the welfare system, and that is why the present administration has proposed the family assistance plan with the many elements that it does have, work requirements, work training, day care, to encourage and indeed enhance people to secure employment.

The CHAIRMAN. Well, 94 percent of your experiments here, then, dealt with people who were already working; is that right?

Mr. WILSON. Yes, sir.

The CHAIRMAN. I wish that you could be reporting to us on the success you have had where 94 percent of them were people who were not working, that you are trying to get to work. That is what I would particularly like to know something about.

But unfortunately, in your situation, only 6 percent of them met that test, I take it.

Mr. WILSON. I wish I could report on that, but I am indeed glad I can report on those who are working. That is a lot better information than we have had in the past.

The CHAIRMAN. What can you tell us about the 6 percent that are not working?

Mr. KERSHAW. I don't think we did separate that out. It does fluctuate over families coming in and out of the labor force over the period of time between the first interview and the final interview, and that is a net figure.

So you are not really following 6 percent who are not working.

The CHAIRMAN. Thank you very much, gentlemen. I had hoped that Mr. Shultz, the former Secretary and now Director of the Budget, would be available to us tomorrow to testify, but I understand that there is some problem involving executive privilege that frustrates us at this moment and we will have to arrange on whatever basis we can to obtain Mr. Shultz.

In any event, we will be hearing public witnesses next Monday.

(The following letter was received by Senator Anderson in response to a point raised by the Senator at page 947 of this volume:)

OFFICE OF ECONOMIC OPPORTUNITY,
EXECUTIVE OFFICE OF THE PRESIDENT,
Washington, D.C., September 25, 1970.

HON. CLINTON P. ANDERSON,
*U.S. Senate,
Washington, D.C.*

DEAR SENATOR ANDERSON: Donald Rumsfeld has asked me to thank you for your letter of August 19 regarding the Office of Economic Opportunity testimony and materials presented to the Senate Finance Committee in connection with the Urban Graduated Work Incentive Experiment.

As explained during the hearings when Dr. John Wilson and I testified, social science researchers and policy planners have a great deal of interest in the characteristics and behavior patterns of the many ethnic groups in our nation. The designation of various individuals as "Spanish-speaking Americans," or Puerto Ricans, or blacks, or Catholics, or rural whites, or aged, or any of a multitude of other labels, is simply a convenient method of grouping people according to categories of particular interest. Depending on the topic and the group in question, the classification may be racial, geographic, linguistic, or age-grouped. In no instance, of course, is a categorization intended to be derogatory or offensive.

You are, indeed, correct in pointing out that the term "Spanish" or "Spanish-speaking American" is an ethnic and linguistic categorization, and not a racial one. This office will make every effort in the future to ensure that the proper terminology is used at all times in official statements and publications.

Thank you for giving us the opportunity to clarify the use of the terminology in our report. If further questions arise, please let us hear from you.

Sincerely,

WESLEY L. HJORNEVIK, *Deputy Director.*

(Thereupon, at 12:45 p.m., the hearing was recessed, to reconvene on Monday, August 24, 1970, at 10 a.m.)

APPENDIX A

(This Appendix contains material requested from the Department of Health, Education, and Welfare during hearings held on Apr. 29, 30, and May 1, 1970. The material was received too late to be included at the point where the request was made)

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APPENDIX A

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Clerk's Note: In response to questions by the Chairman and by Senator Talmadge (page 211 in 2 instances) for State-by-State estimates and the number of persons who would receive benefits under the family assistance plan, the Department subsequently submitted for the record the following tables:

1971 ESTIMATED ELIGIBLE RECIPIENTS UNDER H.R. 16311 AS AMENDED
JUNE 1970 BY PROGRAM AND STATE (revised)

[In thousands]

	Number of individuals receiving—			Total
	Adult recipients	State supplements	FAP only	
Total	3,226.9	7,482.6	13,096.0	23,805.5
Alabama.....	141.3		524.5	1,665.8
Alaska.....	2.6	8.2	14.3	25.1
Arizona.....	22.1	63.1	119.4	204.6
Arkansas.....	94.5		275.2	369.7
California.....	521.8	1,125.7	675.9	2,323.4
Colorado.....	43.3	37.3	287.4	368.0
Connecticut.....	16.2	130.0	41.7	187.9
Delaware.....	4.2	14.7	36.1	55.0
District of Columbia.....	10.1	50.8	5.0	65.9
Florida.....	92.2	110.7	480.7	683.6
Georgia.....	156.5		869.0	1,025.5
Hawaii.....	4.9	34.8	23.0	62.7
Idaho.....	7.0	18.7	28.7	54.4
Illinois.....	80.5	486.8	239.0	806.3
Indiana.....	26.0	64.3	207.8	298.1
Iowa.....	30.3	82.1	123.3	235.7
Kansas.....	20.9	74.5	63.2	158.6
Kentucky.....	97.0	164.7	261.8	523.5
Louisiana.....	148.9		785.3	934.2
Maine.....	16.0	32.0	97.4	145.4
Maryland.....	31.8	144.0	87.0	262.8
Massachusetts.....	76.2	302.2	60.1	438.5
Michigan.....	70.2	351.9	224.3	646.4
Minnesota.....	21.2	124.5	174.6	320.3
Mississippi.....	110.4		696.2	806.6

1971 ESTIMATED ELIGIBLE RECIPIENTS UNDER H.R. 16311 AS AMENDED JUNE
1970 BY PROGRAM AND STATE (revised)—Continued

(In thousands)

	Number of Individuals			Total
	Adult recipients	State supplements	FAP only	
Missouri.....	113.0		330.1	443.1
Montana.....	6.3	17.2	28.7	52.2
Nebraska.....	12.6	29.6	125.5	167.7
Nevada.....	8.2	7.5	21.3	37.0
New Hampshire.....	5.8	15.6	18.4	39.8
New Jersey.....	36.4	365.0	107.4	508.8
New Mexico.....	20.2	75.3	98.9	194.4
New York.....	156.6	1,366.3	456.4	1,979.3
North Carolina.....	83.0	123.0	754.6	960.6
North Dakota.....	6.2	14.1	76.6	96.9
Ohio.....	92.1	360.6	347.1	799.8
Oklahoma.....	104.7	120.2	141.3	366.2
Oregon.....	16.2	66.1	61.2	143.5
Pennsylvania.....	88.6	691.9	454.3	1,234.8
Rhode Island.....	7.7	56.9	2.6	67.2
South Carolina.....	37.4		453.4	490.8
South Dakota.....	6.2	21.5	79.7	107.4
Tennessee.....	107.8		634.0	741.8
Texas.....	285.5	216.1	1,019.9	1,521.5
Utah.....	11.4	20.4	23.3	55.1
Vermont.....	7.1	20.6	19.1	46.8
Virginia.....	22.8	142.6	265.9	431.3
Washington.....	40.6	153.7	118.0	312.3
West Virginia.....	20.4	63.5	191.4	275.3
Wisconsin.....	29.9	105.0	103.5	238.4
Wyoming.....	2.9	5.6	11.5	20.0
Guam.....	.4	2.5	.5	3.4
Puerto Rico.....	50.0		750.0	800.0
Virgin Islands.....	.8	.8	.5	2.1

1971 ESTIMATED RECIPIENTS UNDER CURRENT LAW BY PROGRAM AND STATE

[In thousands]

	Adult Recipients	Number of Individuals receiving AFDC	Total
Total.....	3,057.0	8,098.3	11,155.3
Alabama.....	140.0	130.0	270.0
Alaska.....	2.5	9.1	11.6
Arizona.....	20.7	56.0	76.7
Arkansas.....	81.6	46.0	127.6
California.....	512.8	1,269.0	1,781.8
Colorado.....	42.8	68.7	111.5
Connecticut.....	15.2	96.4	111.6
Delaware.....	4.0	20.8	24.8
District of Columbia.....	8.3	51.6	59.9
Florida.....	87.9	244.0	331.9
Georgia.....	136.9	315.9	452.8
Hawaii.....	4.6	26.1	30.7
Idaho.....	6.6	18.0	24.6
Illinois.....	78.4	371.9	450.3
Indiana.....	25.2	96.0	121.2
Iowa.....	28.8	17.9	46.7
Kansas.....	20.1	55.4	75.5
Kentucky.....	83.8	134.5	218.3
Louisiana.....	147.2	232.3	379.5
Maine.....	15.5	40.7	56.2
Maryland.....	26.7	144.5	171.2
Massachusetts.....	75.1	252.8	327.9
Michigan.....	66.4	297.0	363.4
Minnesota.....	20.3	93.1	113.4
Mississippi.....	106.0	120.1	226.1
Missouri.....	112.1	143.0	255.1
Montana.....	5.9	15.6	21.5
Nebraska.....	12.4	29.4	41.8
Nevada.....	3.2	12.0	15.2
New Hampshire.....	5.5	10.2	15.7
New Jersey.....	33.2	33.0	66.2
New Mexico.....	18.9	61.5	80.4
New York.....	152.6	1,070.4	1,223.0
North Carolina.....	71.6	134.8	206.4
North Dakota.....	5.9	10.8	16.7
Ohio.....	89.1	311.6	400.7
Oklahoma.....	102.5	95.4	197.9
Oregon.....	15.7	107.5	123.2
Pennsylvania.....	86.0	523.2	609.2
Rhode Island.....	7.4	42.8	50.2

**1971 ESTIMATED RECIPIENTS UNDER CURRENT LAW BY PROGRAM
AND STATE—Contⁿued**

[In thousands]

	Adult Recipients	Number of individuals receiving AFDC	Total
South Carolina.....	30.6	63.0	93.6
South Dakota.....	6.0	17.1	23.1
Tennessee.....	98.8	154.0	252.8
Texas.....	271.8	334.0	605.8
Utah.....	9.0	31.1	40.1
Vermont.....	6.9	16.4	23.3
Virginia.....	20.5	118.6	139.1
Washington.....	38.9	137.5	176.4
West Virginia.....	19.6	89.7	109.3
Wisconsin.....	26.6	86.0	112.6
Wyoming.....	2.7	5.1	7.8
Guam.....	.5	2.1	2.6
Puerto Rico.....	45.2	232.9	278.1
Virgin Islands.....	.5	1.8	2.3

(Excerpt from page 212 of the printed hearings)

The Chairman. You present us cost estimates based on a three and a half percent unemployment factor. You say it is about 4.5 percent today. At the present rate of unemployment, how much more would your bill cost than the estimates contained in the statement?

Secretary Finch. We will have that information for you. It is going to take us a matter of some days to recalculate this whole program nationally, but we will have that information just as promptly as we can, Mr. Chairman. We are already in the middle of updating those figures.

Response**The effect of rising unemployment on costs of the Family Assistance Act (Summary)**

The Labor Department has made a preliminary estimate of the increased expenditures under the Family Assistance Act resulting from rising unemployment. The estimates are as follows:

<i>Increase in unemployment rates:</i>	<i>Dollar increases in FAP payments (Millions)</i>
1.0 -----	\$ 100
2.0 -----	200
3.0 -----	300

Reason increases are small

Although unemployment almost always results in some loss of income to the individual worker and his family, in only rare instances does it drive family income below the poverty line (or in this case below the FAP cutoff). There are a number of reasons for this.

1. Even in a recessionary year, such as 1961, unemployment for any given worker tends to be of comparatively short duration. In 1961, there were 6 million married men (wife present) who experienced unemployment at some time during the year. Counting all spells, about half were unemployed for 10 weeks or less. Only 14 percent were out of work for half the year or longer.

2. The kinds of workers affected by cyclical unemployment are not typically those with earnings close to the poverty line. Rather, they are workers from manufacturing industries and construction, where hourly earnings are relatively high. Therefore, the annual earnings of such workers, and the total incomes of their families, could remain well above the FAP cutoffs even if they suffer as much as 2 or 3 months of unemployment. Most of that unemployment will be covered by Unemployment Insurance.

3. The most important determinant of family income, among families with dependent children, is the earnings level of the family head. When unemployment goes up, family heads are likely to be hit relatively the hardest, but not all the additional unemployed will be heads of families with children. Many of them will be unrelated individuals, wives or other relatives of the head, or heads of childless families. Some will be the heads of families already eligible for FAP. *It is only those family heads with children whose incomes were modestly above the FAP line, and whose incomes would be driven below the FAP line by unemployment, that are reflected in the estimates of additional eligible families.*

The Derivation of the Estimates (See attached technical paper for full details.)

The estimates were derived by examining the pattern of unemployment rates during the 1960's, selecting 2 years when unemployment was considerably higher than in the 1966-69 period, and then utilizing the work experience data for those years to recalculate family incomes and the FAP population as of 1968.

1. The years 1961 (unemployment rate of 6.7 percent) and 1963 (5.7 percent) were selected as representative of high, or at least higher, unemployment situations. These provided estimates of the impact of a 2-percentage point and a 3-percentage point increase in the unemployment rate. The 1-percentage point result was arrived at by interpolation.

2. The next step was to determine what would happen to family income-distributions if the work experience distribution of family heads (i.e, weeks worked, and whether full-time or part-time) for 1961 and 1963 prevailed in 1968. A new 1968 family income distribution was derived, first by superimposing the 1961 pattern; and then the 1963 pattern, of heads' work experience. This produced more low income families and fewer high income families because it reduced the number of year-round full-time workers and increased the number of part-year and part-time workers.

3. The assumption was made that the net change at each income level between the actual 1968 estimate and the derived estimate would be allocated only to families headed by males under age 65 because this is the group most vulnerable to losses in employment and earnings as a result of cutbacks in economic activity. Within this broad group, the change at each income level was allocated proportionately among family groups of different sizes, with and without children.

4. Once a new set of family income distributions by family size and composition had been created, it was possible to estimate the impact on the FAP population. By interpolation within income classes, i.e., \$3,320 for a family of 3; \$3,920 for a family of 4, etc., it was possible to estimate how many families would be included. Only

the minimum Federal payment was considered, not the State supplement.

5. The method produced estimates of the FAP population under 1961 and 1963 employment conditions which could be compared with 1968 estimates derived by the same general procedures. These comparisons were then converted to ratios and moved forward to 1971.

The principal limitations of the method is that it makes no explicit allowance for other economic developments, associated with rising unemployment, which have an effect on family income. Among these are cutbacks in overtime and scheduled hours, which would be offset by increased payments under UC, SUB, and other transfer programs. Also, the method takes no account of the possible loss of jobs among other family members or, on the other hand, the possible increase in the labor force activity of secondary workers who are motivated to offset the head's loss of earnings. We believe these and other subtle cross-currents can only be measured through a complex micro model.

Effect of Increased Unemployment on Family Assistance Program, Beneficiaries and Cost

The first-year cost of the Family Assistance Program, assuming that it were to be operational during calendar year 1971, has been estimated at \$4.4 billion. There would be an average annual payment of \$981 to 3,857,000 families with dependent children. These estimates were developed by the Urban Institute using data from the Survey of Economic Opportunity of March 1967 (which measure the income and poverty status of the population as of calendar year 1966), which were subsequently aged or projected to 1971. The unemployment rate implicit in these estimates was 3.8 percent, the annual average rate for 1966.* The unemployment rate went down further to 3.5 percent in 1969 but it has been climbing unevenly for the past few months, reaching a seasonally adjusted rate of 4.4 percent in March 1970. Table A below shows the annual average unemployment rates since 1960.

Table A.—Rate of unemployment 1960 to date

1960	5.5	1966	3.8
1961	6.7	1967	3.8
1962	5.5	1968	3.6
1963	5.7	1969	3.5
1964	5.2	First quarter 1970	4.2
1965	4.5		

Source: U.S. Bureau of Labor Statistics.

Looking at the entire period since World War II, we find a range from a low of 2.9 percent in 1953 to a high of 6.8 percent in 1958.

Recent trends have naturally stimulated questions about the pos-

*This paper was prepared by the Bureau of Labor Statistics prior to completion of the revisions in basic cost estimating procedures discussed in the Committee Print containing the Administration revisions. The methodology for adjusting cost estimates due to changes in unemployment that is discussed here is also applicable to these revised procedures.

sible impact of higher unemployment on the coverage and cost of the FAP program. However, it is not possible to make a direct connection between the unemployment rate and FAP because unemployment is measured as of a point in time (workseeking activity within a 4-week period) whereas FAP eligibility, as currently estimated, depends mainly on a family's total income during an entire calendar year. Moreover, not all unemployment is equally important with respect to losses of income. Many studies have shown that by far the most significant factor is what happens to the employment and earnings of the family head. For these reasons, we have used the unemployment rate only indirectly as an indicator of general employment and economic conditions. We have used the rate as a means of selecting two other years—1961 when the rate was 6.7 percent and 1963 when it was 5.7 percent—for a test of the impact on family income (and consequently on the FAP) of a less favorable distribution of weeks worked and hours worked by family heads. The assumption was made that a return to a 6.7 percent unemployment rate would result in the same distribution of weeks worked full time and part time by family heads as that prevailing in 1961, and that a rise to 5.7 percent unemployment would produce the 1963 pattern of work experience for family heads. The distributions for the 3 years are shown in Table B below.

TABLE B.—WORK EXPERIENCE OF FAMILY HEADS

	Percent distribution			Numbers in thousands		
	1968	1963	1961	1968	1963 ¹	1961
Total.....	100.0	100.0	100.0	49,622	49,622	49,622
Full time:						
50 to 52 weeks.....	67.4	64.7	62.3	33,455	32,085	30,864
27 to 49 weeks.....	10.1	11.5	13.3	5,007	5,728	6,600
1 to 26 weeks.....	3.5	3.8	4.6	1,730	1,876	2,283
Part time:						
50 to 52 weeks.....	2.3	2.2	2.6	1,117	1,115	1,290
27 to 49 weeks.....	1.2	1.4	1.4	614	710	695
1 to 26 weeks.....	1.8	2.2	2.5	880	1,115	1,241
Did not work at all.....	13.7	14.1	13.4	6,819	6,995	6,649

¹ Inflated to total with work experience in 1968.

Source: Current population survey, Bureau of the Census.

Family income data for calendar year 1968 are published by the work experience of the family head in 1968. The next step in the procedure was to re-weight the 1968 total family income distribution for all 49.6 million families headed by civilians, using the work experience patterns derived from 1963 and 1961 data. The re-weighted family income distribution can then be compared with the actual 1968 distributions in order to get a measure of the effect of less regularity of

work, which is in turn associated with higher unemployment and generally lower levels of economic activity. The results are shown in Table C below. The table stops at \$6,000 because a family of 7 persons phases out of the FAP program at \$5,720 (assuming no State supplement). Published family income distribution is not available for larger-sized families.

TABLE C.—EFFECT ON 1968 FAMILY INCOME DISTRIBUTION OF USING 1963 AND 1961 PATTERNS OF FAMILY HEADS' WORK EXPERIENCE

	Percent distribution			Number of families in thousands		
	1968 work experi- ence	1963 work experi- ence	1961 work experi- ence	Net difference from reweighted distri- bution based on—		
				1968 actual	1963 work experi- ence	1961 work experi- ence
Under \$6,000, total.	29.1	30.1	30.6	14,467	+475	+718
Under \$1,000.....	1.8	1.9	1.9	905	+39	+53
\$1,000 to \$1,499.....	1.5	1.6	1.6	759	+34	+53
\$1,500 to \$1,999.....	2.0	2.0	2.1	970	+45	+53
\$2,000 to \$2,499.....	2.6	2.8	2.8	1,306	+64	+84
\$2,500 to \$2,999.....	2.5	2.6	2.6	1,219	+51	+71
\$3,000 to \$3,499.....	3.2	3.3	3.4	1,570	+62	+98
\$3,500 to \$3,999.....	2.9	3.0	3.1	1,442	+62	+85
\$4,000 to \$4,999.....	5.9	6.1	6.2	2,648	+71	+136
\$5,000 to \$5,999.....	6.7	6.8	6.9	3,348	+47	+85

Source: Current Population Survey, Bureau of the Census. Estimates prepared by Bureau of Labor Statistics.

The procedure has obvious limitations in that it does not attempt to measure the impact on family income within any given category of weeks worked. That is, the computations involve retaining the 1968 family income distribution within each work experience of head grouping, but changing the overall work experience weights as described earlier. It is not clear, however, whether this oversimplification results in a net overstatement or net understatement of the impact on family income. On the one hand, the procedure does not reflect any losses of earnings of other family members who might lose their jobs in a period of rising unemployment, but neither does the procedure reflect any possible increase in the work effort of other family members in order to compensate for the loss of the head's earnings. These offsetting influences will be studied further but it should be noted that their overall impact on family income may turn out to be relatively small. In 1968 nearly 80 percent of the aggregate income of husband-wife families was accounted for by the income of the head. The procedure also fails to reflect prospective cutbacks in overtime and in the scheduled workweek (unless it results in part-

time work for long periods of time) which invariably accompany rising unemployment and thereby reduce weekly and annual earnings. But again, in the opposite direction, the procedure does not allow for the receipt of unemployment insurance, SUB, and other payments to families arising directly or indirectly from the disemployment of the family head. Presumably these influences will be taken account of in the HEW model now being developed.

Not all of the families added to the income brackets under \$6,000—718,000 using the 1961 work experience patterns and 475,000 using 1963—would necessarily be eligible for the Family Assistance Program. The number added would depend on the presence of dependent children, and on family size in relation to family income. Here again a number of assumptions were made, as follows:

1. All of the additional low income families were assumed to be headed by men because male family heads are much more likely than female heads to be in the labor force year round and are therefore more vulnerable to the loss of earnings as a result of unemployment.

2. At each income interval up to \$6,000 the additional families were assumed to be distributed proportionately among all family size groups, with and without children, except for families headed by men 65 years of age and over. The latter were assumed to be unaffected with respect to family income because retirement income is more important than income from employment in that age group.

3. The original income distributions by family size and number of children, for families headed by men under age 65 were then re-estimated separately for the 1963-based and the 1961-based work experience, incorporating the additional low-income families.

4. A decision was then made as to whether the additional low-income families were to be added to FAP on the basis of 1) presence of children, and 2) income in relation to FAP cutoffs by family size—

2 person families—\$2,720

3 person families—\$3,320

4 person families—\$3,920

5 person families—\$4,520

6 person families—\$5,120

7 or more person families—\$6,000 (although 7-person families phase out at \$5,720, we allowed an extra margin to take account of larger families for whom separate data are not available)

5. FAP eligibility was determined on the basis of the Federal minimum. The available data did not permit us to take account of State supplements. The results are summarized in Table D on the following page.

TABLE D.—ESTIMATED NUMBER OF FAMILIES ADDED TO LOW-INCOME BRACKETS AND TO FAP
[In thousands]

Family income bracket	Assuming 1963 work experience of family head				Assuming 1961 work experience of family head			
	Total added to income bracket	Added to FAP	Not added to FAP		Total added to income bracket	Added to FAP	Not added to FAP	
			No children under 18	Income exceeds FAP cutoff			No children under 18	Income exceeds FAP cutoff
Total under \$6,000.....	475	207	191	77	718	296	286	136
Under \$1,000.....	39	20	19		53	27	26	
\$1,000 to \$1,499.....	34	17	17		53	27	26	
\$1,500 to \$1,999.....	45	24	21		53	28	25	
\$2,000 to \$2,499.....	64	39	25		84	51	33	
\$2,500 to \$2,999.....	51	32	19		71	44	27	
\$3,000 to \$3,499.....	62	32	26	4	98	31	34	20
\$3,500 to \$3,999.....	62	23	25	14	85	31	34	20
\$4,000 to \$4,999.....	71	15	24	32	136	29	46	61
\$5,000 to \$5,999.....	47	5	15	27	85	9	28	48

An upward adjustment was then considered to take account of the fact that the use of summary CPS income tabulations results in an understatement of the overall number of male-headed FAP families for 1968—2.2 million as compared with an earlier estimate of 3.1 million based on the Urban Institute micro model. However, for 1971, the official DHEW estimate is down to 2.3 million, so the adjustment was considered unnecessary.

Using the HEW figures on average FAP payment to male-headed families at each family income interval, it was possible to estimate that the additional cost, in terms of direct benefits paid to families, would be about \$300 million if unemployment went up by 3 percentage points and about \$200 million if unemployment went up by 2 percentage points. No attempt was made to measure indirect costs such as additional training needs.

The final estimates are summarized in Table E, rounded to reflect the imprecision of the estimation procedures.

TABLE E.—EFFECT OF HIGHER UNEMPLOYMENT RATES ON FAP

Rise in unemployment rate from 3.8	Eligible families (thousands)	Cost (millions of dollars)
1 percentage point.....	100	100
2 percentage points.....	200	200
3 percentage points.....	300	300

The 1 percentage-point effect is simply a rough interpolation. It was not estimated directly because there was no year in which the unemployment rate averaged 4.8 percent. In 1965, when it was 4.5 percent, the work experience distributions for family heads were very close to those of 1968. It is unlikely that use of the 1965 weights together with the other assumptions in our procedure would have added as many as 100,000 eligible families.

Clerk's Note: The Chairman raised a question on page 217 relative to NWRO interference with the work incentive program in Massachusetts and Ohio.

Response

1. Ohio

When HEW-DOL Joint WIN Task Force visited Ohio on December 1-2, 1969, to review progress and problems in the WIN Program, it was reported by a public welfare worker (Cleveland) that staff work had been retarded because of WRO interference. Following the on-site visit, it was found that the WRO activities did not affect referrals and enrollments; for example, referrals built up to a continuing increase of 200 per month. In Cleveland and in several other WIN counties in Ohio, remedial steps were taken after the Task Force on-site visits to accelerate WIN referrals and enrollments. Some of the steps taken to accomplish increased referrals and enrollments were the following:

- A. Establishment in the welfare agency of a Manpower Services Division with a special WIN liaison unit.
- B. Establishment of a WIN Screening Team to bring the Employment Service and welfare agency together to determine if persons are appropriate for referral to WIN.
- C. Formulation of monthly target goals in order to have at least 100 additional persons enrolled for the months of February and March. (This goal was achieved and there has continued to be a monthly increase in enrollments.)

Massachusetts

On February 19, 1970, a DHEW-DOL Joint WIN Task Force found that in Boston a group known as Mothers for Adequate Welfare were carrying out some activities to defer potential applicants from WIN. (A recent review of the Boston situation reveals that the discouraging of eligibles from the WIN Program was the Mothers for Adequate Welfare and not the National Welfare Rights Organization.) This problem has been overcome and the WIN Program in Boston is now functioning very well.

2. Enrollments in both States have been rising gradually.

	<u>3rd of Month Enrollments</u>	
	<u>Ohio</u>	<u>Massachusetts</u>
July, 1969	2,545	2,505
August	2,693	2,705
September	2,502	2,643
October	2,591	2,737
November	2,591	2,805
December	2,723	2,789
January, 1970	2,831	2,900
February	3,000	2,893
March	3,168	2,919
April	3,400	2,871

Clerk's Note: In response to a question by Senator Harris (page 221) for information as to whether the lack of day care centers, the lack of jobs, and the lack of training programs were more significant factors in the failure of the work incentive programs than was a Department regulation suggesting that recipients could veto child care arrangements with which they did not agree and thereby avoid referral to the work incentive program, the Department subsequently submitted for the record the following information:

IMPLEMENTATION OF REGULATIONS ON CHILD CARE UNDER THE WIN PROGRAM

Federal regulations governing the WIN program require that child care services must be available or provided to all persons referred to and enrolled in the program.* This includes care in the child's own home (54 percent), in the home of a relative or neighbor (10 percent), in a group home (20 percent), or in a day care facility (16 percent). Each of these types of care must meet standards as a protection to the child.

PROGRESS IN MEETING THIS REQUIREMENT

Many States have experienced great difficulty in meeting this requirement, but more recently substantial progress has been made in developing child care opportunities. Over 69,000 children were in WIN child care as of March 1970, and momentum is rapidly increasing.

Despite this progress, reports from 36 States indicate that in the month of November 1969, 1,700 mothers could not be referred to WIN solely because adequate child care was lacking for 4,600 of their children. In the same month day care began for 9,400 children so that 3,500 mothers could enter WIN.

SOME MAJOR PROBLEMS

1. *Lack of State funds.*—Many States experience difficulty in raising the 25 percent required for matching Federal funds for child care.

2. *Lack of suitable day care facilities.*—There is a shortage of suitable day care facilities, particularly in inner city areas where the need is greatest. Legislation bars the use of Federal funds for construction or major renovation.

3. *Types and location of facilities.*—The shortage of day care facilities is compounded by the fact that most of these centers accom-

*This also includes child care for working mothers who have obtained employment following WIN training.

modate only certain age children. Most mothers have several children and are thus required to take them to separate facilities. There is an acute need for facilities providing infant care and care before and after school for school age children.

4. *Adequacy of payment.*—Child care payments vary greatly, from as little as \$1 a day in one State to up to \$350 a month in another. Low rates, and sometimes delays in payment, are not conducive to the development of child care opportunities.

5. *Child care personnel.*—In many communities there is a shortage of persons with training or experience in group child care programs.

6. *Agency staff.*—Insufficiency of agency staff has been a problem, but the number of workers responsible for child care increased four-fold from 1965 to 1969.

7. *Standards.*—Some States believe that the Federal Interagency Day Care Requirements and local codes are unrealistic, especially in the inner city. These requirements are now under review.

8. *Non-WIN child care.*—Some 283,000 children of mothers who have obtained employment through their own efforts receive child care.

SOME SOLUTIONS

Seeking matching funds from third-party sources (model cities, school districts, private contributions).

Legislative authority to use Federal funds for construction and major renovation.

Long-term leases to private builders.

Development of facilities for children of all ages. (Welfare agencies in 24 States operate their own.)

Increased training and use of AFDC mothers as homemakers, child care aides, or to take children into their own homes. (Forty States are now doing this.)

Increased supply of homemakers to serve on a temporary basis when some crisis interrupts an established child care plan.

Increased efforts to develop community resources. The State advisory committees on child care, required by law, may be helpful in this, as are other service organizations when the need for good child care facilities is interpreted to them.

Major efforts, Federal and State, are still needed to make available an adequate number of various types of child care opportunities to fully support the WIN program. Nevertheless, most of the earlier reluctance on the part of some States has been removed, and considerable momentum is building up. The chief difficulty continues to be the lack of State funds for child care payments and for adequate staffing, together with the unavailability of Federal funds for construction or major renovation of facilities.

NCSS Report E-4 (12/69)

Preliminary: Subject to revision

U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
Social and Rehabilitation Service
National Center for Social Statistics

Child Care Arrangements of AFDC Recipients Under the Work Incentive Program

December 1969

Attached are the following tables that were derived from State reports on Form SRS-NCSS-102.1

Table 1.--Number of mothers or other caretakers who began enrollment in the WIN Program and number of their children who were provided child care, by age group and by State, during December 1969.

Table 2.--Child care arrangements, by age group and by State, of mothers or other caretakers who began enrollment in the WIN Program during December 1969.

Table 3.--Number of mothers or other caretakers who were not referred for enrollment in the WIN Program for the sole reason that adequate child care arrangements were not available and number of their children requiring child care, by age group and by State, during December 1969.

COVERAGE OF REPORTS

Reports were received from 35 States including one incomplete report (Maryland - excludes Baltimore City).

WIN Program operations had not been initiated as of December 1969 in 3 States: Indiana, Nevada, and New Hampshire; and 1/ 16 States did not report.

1/ Arizona, California, Colorado, Delaware, Guam, Hawaii, Maine, Massachusetts, New York, Ohio, Rhode Island, Texas, Vermont, Virgin Islands, Washington, and West Virginia.

THE 35 STATES REPORTING INCLUDED 52 PERCENT OF THE FAMILIES RECEIVING AFDC IN THE MONTH OF DECEMBER 1969.

CHILD CARE ARRANGEMENTS - 35 STATES

In the 35 States reporting, 3,000 mothers or other caretakers began enrollment in the WIN Program during the month of December 1969.

Child care was provided to 8,100 of their children, of whom about two-fifths were under 6 years of age and three-fifths were 6 through 14 years of age.

Well over one-half (57 percent) of the children were cared for in their own homes; one-tenth, in a relative's home; somewhat less than a fifth, in a day care facility; and slightly less than a fifth had other arrangements.

LACK OF CHILD CARE ARRANGEMENTS

In the 35 States reporting, 1,600 mothers or other caretakers could not be referred to the State Manpower Agency for enrollment in the WIN Program for the sole reason that adequate child care arrangements were not available for one or more of their children. Adequate child care arrangements were lacking for 6,200 children, of whom somewhat more than two-fifths (44 percent) were under 6 years of age and somewhat less than three-fifths (56 percent) were 6 through 14 years of age.

In these 35 States, 4,600 mothers needed child care arrangements, but for about one-third or 1,600, such arrangements were not available. Of the 14,300 children who needed child care arrangements, about two-fifths or 6,200 lacked such care. Thus, child care arrangements were not available for 45 percent of the children under 6 years of age and for 43 percent of the older children.

Table 1.--Number of mothers or other caretakers who began enrollment in the WIN Program and number of their children who were provided child care, by age group, by State, during December 1969

State	Number of mothers or other caretakers	Number of children		
		Total	Under 6 years of age	6 through 14 years of age
Total.....	3,000	8,100	3,300	4,700
Alabama.....	80	230	120	110
Alaska.....	35	63	38	25
Arkansas.....	57	140	36	100
Connecticut.....	87	200	93	100
District of Columbia.....	17	53	19	34
Florida.....	170	430	150	270
Georgia.....	110	280	110	170
Idaho.....	92	190	120	70
Illinois.....	75	150	82	67
Iowa.....	46	110	62	49
Kansas.....	39	93	51	42
Kentucky.....	73	200	93	100
Louisiana.....	90	250	120	140
Maryland ^{1/}	16	47	27	20
Michigan.....	290	630	220	410
Minnesota.....	85	180	76	100
Mississippi.....	15	47	(2/)	(2/)
Missouri.....	46	120	66	53
Montana.....	35	81	39	42
Nebraska.....	49	150	36	110
New Jersey.....	42	95	44	51
New Mexico.....	36	78	46	32
North Carolina.....	51	130	55	74
North Dakota.....	14	35	20	15
Oklahoma.....	57	120	69	51
Oregon.....	45	100	55	46
Pennsylvania.....	270	680	330	350
Puerto Rico.....	620	2,300	710	1,600
South Carolina.....	12	45	12	33
South Dakota.....	48	98	46	52
Tennessee.....	60	190	89	100
Utah.....	160	330	160	170
Virginia.....	41	100	52	49
Wisconsin.....	49	110	50	55
Wyoming.....	7	14	6	8

^{1/} Excludes Baltimore City.

^{2/} Data not reported.

Table 2.—Child care arrangements, by age group and by State, of mothers or other caretakers who began enrollment in the WIN Program, during December 1969

State	Type of child care arrangement											
	Own home			Relative's home			Day Care Facility			Other		
	Total	Under 6 years of age	6 through 14 years of age	Total	Under 6 years of age	6 through 14 years of age	Total	Under 6 years of age	6 through 14 years of age	Total	Under 6 years of age	6 through 14 years of age
Total.....	1/ 4,300	1,000	2,500	1/ 680	370	310	1/ 1,300	790	480	1/ 1,300	230	1,100
Alabama.....	110	53	61	21	15	6	48	43	5	47	5	42
Alaska.....	30	6	24	5	5	0	27	26	1	1	1	0
Arkansas.....	79	21	58	5	2	3	21	13	8	32	0	32
Connecticut.....	87	47	40	19	13	6	64	28	36	25	5	20
District of Columbia.....	14	5	9	0	0	0	15	14	1	24	0	24
Florida.....	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)
Georgia.....	220	82	140	2	0	2	35	19	16	22	5	17
Idaho.....	100	58	42	42	33	9	29	25	4	19	3	16
Illinois.....	42	31	11	30	18	12	42	26	16	35	7	28
Iowa.....	38	28	10	23	19	4	25	15	10	25	0	25
Kansas.....	36	32	4	16	14	2	5	4	1	36	1	35
Kentucky.....	85	41	44	(3/)	(3/)	(3/)	1/ 98	1/ 48	1/ 50	15	4	11
Louisiana.....	65	32	33	41	14	27	98	66	32	47	3	44
Maryland 1/2.....	33	21	12	5	2	3	3	3	0	6	1	5
Michigan.....	440	160	280	55	29	26	30	20	10	110	11	99
Minnesota.....	37	28	9	4	2	2	52	38	14	86	8	78
Mississippi.....	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)
Missouri.....	67	33	34	9	9	0	43	24	19	0	0	0
Montana.....	21	12	9	4	4	0	27	23	4	29	0	29
Nebraska.....	38	9	29	(2/)	(2/)	(2/)	86	25	61	22	2	20
New Jersey.....	20	6	14	7	6	1	55	23	32	13	9	4
New Mexico.....	21	10	11	18	8	10	17	14	3	22	14	8
North Carolina.....	29	11	18	25	14	11	17	14	3	58	16	42
North Dakota.....	20	11	9	0	0	0	9	9	0	6	6	0
Oklahoma.....	41	23	18	25	14	11	46	30	16	8	2	6
Oregon.....	44	21	23	5	5	0	22	16	6	25	13	12
Pennsylvania.....	440	200	240	67	37	30	54	39	15	120	56	64
Puerto Rico.....	1,700	600	1,100	210	85	130	34	9	25	300	17	280
South Carolina.....	21	10	11	3	0	3	0	0	0	21	2	19
South Dakota.....	66	30	36	13	11	2	7	5	2	12	0	12
Tennessee.....	160	75	86	0	0	0	20	14	6	9	0	9
Utah.....	100	50	50	0	0	0	180	110	65	55	0	55
Virginia.....	53	25	28	9	3	6	39	24	15	0	0	0
Wisconsin.....	18	11	7	12	7	5	18	13	5	27	19	38
Wyoming.....	0	0	0	0	0	0	7	6	1	7	0	7

1/ Excludes 430 children in Florida for whom type of child care arrangement was not reported and 47 children in Mississippi for whom age and type of child care arrangement was not reported.

2/ Data not reported.

3/ Children receiving child care in relative's home included with child receiving child care in day care facilities.

4/ Excludes Baltimore City.

Table 3.--Number of mothers or other caretakers who were not referred for enrollment in the WIN Program for the sole reason that adequate child care arrangements were not available and number of their children requiring child care, by age group, by State, during December 1969

State	Number of mothers or other caretakers	Number of children		
		Total	Under 6 years of age	6 through 14 years of age
Total.....	1,600	6,200	2,700	3,500
Alabama.....	14	35	22	13
Alaska.....	4	11	11	0
Arkansas.....	18	42	25	17
Connecticut.....	61	190	100	92
District of Columbia.....	0	0	0	0
Florida.....	17	43	15	28
Georgia.....	36	97	43	54
Idaho.....	4	9	9	0
Illinois.....	650	3,700	1,400	2,300
Iowa.....	3	8	8	0
Kansas.....	12	34	32	2
Kentucky.....	35	89	37	52
Louisiana.....	44	120	58	62
Maryland ^{1/}	31	76	52	24
Michigan.....	20	43	17	26
Minnesota.....	0	0	0	0
Mississippi.....	7	30	(2/)	(2/)
Missouri.....	2	5	5	0
Montana.....	3	5	5	0
Nebraska.....	0	0	0	0
New Jersey.....	17	24	11	13
New Mexico.....	0	0	0	0
North Carolina.....	6	15	8	7
North Dakota.....	(2/)	(2/)	(2/)	(2/)
Oklahoma.....	6	10	4	6
Oregon.....	0	0	0	0
Pennsylvania.....	270	560	300	270
Puerto Rico.....	240	780	400	360
South Carolina.....	20	52	24	28
South Dakota.....	3	3	3	0
Tennessee.....	29	90	49	41
Utah.....	2	4	2	2
Virginia.....	29	48	18	30
Wisconsin.....	25	54	25	29
Wyoming.....	(2/)	(2/)	(2/)	(2/)

^{1/} Excludes Baltimore City.

^{2/} Data not reported.

NUMBER OF CHILDREN RECEIVING CHILD CARE UNDER THE WORK INCENTIVE
CHILD CARE PROGRAM, DECEMBER 1969, BY STATE

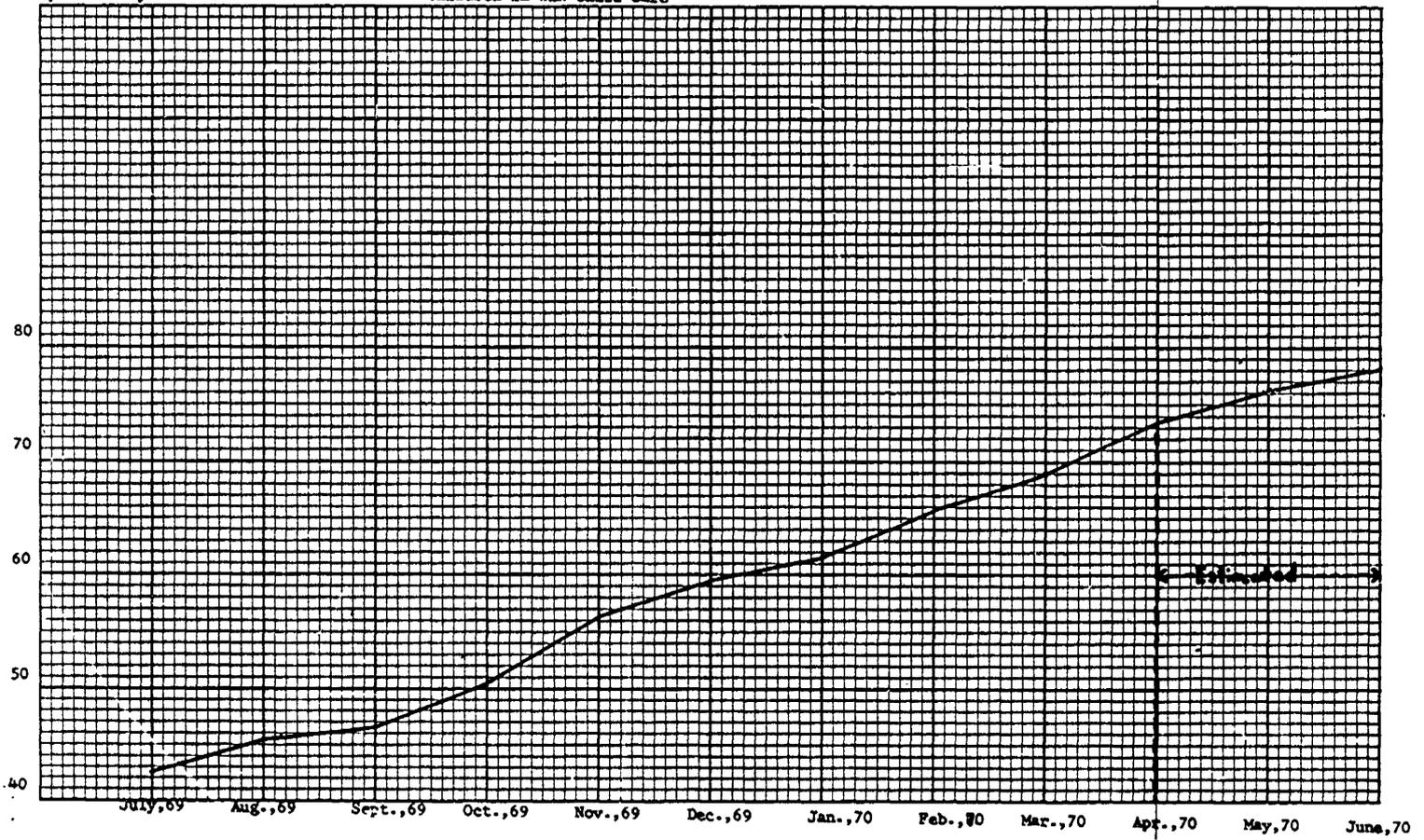
State	Number of children	State	Number of children
Alabama.....	684	Nevada.....	0
Alaska.....	144	New Hampshire.....	0
Arizona.....	604	New Jersey.....	2,309
Arkansas.....	268	New Mexico.....	214
California.....	¹ 12,950	New York.....	9,273
Colorado.....	631	North Carolina.....	108
Connecticut.....	295	North Dakota.....	175
Delaware.....	147	Ohio.....	¹ 1,990
District of Columbia.....	606	Oklahoma.....	9
Florida.....	¹ 580	Oregon.....	217
Georgia.....	415	Pennsylvania.....	¹ 4,160
Hawaii.....	18	Rhode Island.....	¹ 400
Idaho.....	231	South Carolina.....	¹ 72
Illinois.....	149	South Dakota.....	562
Indiana.....	0	Tennessee.....	2,135
Iowa.....	890	Texas.....	¹ 105
Kansas.....	720	Utah.....	¹ 1,080
Kentucky.....	2,577	Vermont.....	210
Louisiana.....	1,426	Virginia.....	1,866
Maine.....	200	Washington.....	1,174
Maryland.....	2,828	West Virginia.....	¹ 1,250
Massachusetts.....	454	Wisconsin.....	1,118
Michigan.....	2,125	Wyoming.....	¹ 85
Minnesota.....	¹ 590	Guam.....	¹ 40
Mississippi.....	133	Puerto Rico.....	116
Missouri.....	2,247	Virgin Islands.....	¹ 10
Montana.....	278		
Nebraska.....	29	Total.....	60,887

¹ Estimated, actual data are not currently available.

Source: SRS-CB-9 Quarterly Expenditure Report on WIN Child Care.

(THOUSANDS)

Number of Children in WIN Child Care



Clerk's Note: *Following up on a question by Senator Talmadge (page 226) regarding Department assumptions as to the decline in the number of families receiving family assistance, the Department subsequently provided for the record the following chart showing estimated trends under the family assistance plan and under present law:*

COMPARISON OF PROJECTED RECIPIENTS UNDER THE FAMILY ASSISTANCE PLAN AND CURRENT LAW, 1971-76

[In millions]

	1971	1972	1973	1974	1975	1976
Under family assistance plan:						
Persons in families receiving FAP only ¹	13.1	12.7	12.3	11.9	11.5	11.0
Persons in families receiving FAP and State supplemental.	7.5	8.4	9.4	10.6	11.9	13.4
Adult category recipients.....	3.2	3.3	3.5	3.6	3.8	3.9
Total.....	23.8	24.4	25.2	26.1	27.2	28.3
Under current law:						
AFDC recipients.....	8.5	9.6	10.8	12.1	13.6	15.3
Adult category recipients.....	3.1	3.2	3.4	3.5	3.7	3.8
Total.....	11.6	12.8	14.2	15.6	17.3	19.1

¹ FAP recipients are estimated from an analysis of the current population survey. Adjustments have been made to reflect a higher unemployment rate and the inclusion of Puerto Rican families in the program.

Note. Except for payments to families under the family assistance plan (which are estimated using the methodology described in the text) the projections assume a continuation of recent trends. Especially in the case of AFDC, these trends are not likely to continue indefinitely into the future. However, there is no present indication of when the growth rate can be expected to slow down. Estimates for 1971 are based on the latest estimates from the States.

Clerk's Note: *In response to a question by Senator Talmadge (page 229), relative to persons found inappropriate for work incentive program, the Department subsequently submitted the following material:*

AID TO FAMILIES WITH DEPENDENT CHILDREN: REASONS INDIVIDUALS WERE FOUND INAPPROPRIATE FOR REFERRAL TO MANPOWER AGENCY UNDER WORK INCENTIVE PROGRAM, BY STATE, OCTOBER-DECEMBER 1969

During the last quarter of 1969, three out of four of the individuals assessed were found to be inappropriate for referral to WIN manpower agencies. The major reasons for this determination, as reported by 43 States, are set forth in the attached table.

In one-fifth of the cases, the reason reported was the individual's illness, disability, or advanced age. In another fifth, the mother's presence in the home was required because of the age or number of children

in the family. Related to this were situations in which the individual's presence in the home was required because of the illness or incapacity of another member of the household (4 percent). Full-time school attendance by a child aged 16–20 was reported in 12 percent of the cases. In 10 percent, lack of adequate child care arrangements precluded referral of mothers. In another 5 percent, the individual was currently receiving, or had been referred to, vocational rehabilitation, education, or other training. For 2 percent, remoteness from WIN projects was the reason. Finally, a miscellaneous group of reasons accounted for 28 percent of the cases.

AID TO FAMILIES WITH DEPENDENT CHILDREN: REASONS INDIVIDUALS WERE FOUND INAPPROPRIATE FOR REFERRAL TO MANPOWER AGENCY UNDER WORK INCENTIVE PROGRAM, BY STATE, OCTOBER-DECEMBER 1969

State	Total	Individuals found inappropriate								Other
		Illness, disability, and/or advanced age	Remoteness from WIN projects	Child aged 16 to 20 attending school full time	Required in home because of illness or incapacity of other member of household	Adequate child care arrangements not currently available	Required in home because of age or number of children	Currently receiving or referred to vocational rehabilitation	Currently receiving or referred to other education or training	
Total:										
Number.....	102,575	21,349	2,121	11,830	3,806	9,839	19,849	1,514	3,286	28,981
Percent.....	100.0	20.8	2.1	11.5	3.7	9.6	19.4	1.5	3.2	28.3
Alabama.....	658	187	20	43	28	58	109	26	49	138
Alaska.....	116	24	26	7	2	0	9	1	6	41
Arkansas.....	1,438	450	51	451	93	56	157	33	34	113
California.....	21,161	4,190	359	1,260	634	1,452	3,257	227	1,036	8,746
Colorado.....	2,254	482	48	26	67	179	567	46	17	822
Connecticut.....	3,167	678	22	2	17	205	1,271	11	41	920
District of Columbia ¹ ...	653	195	0	0	36	0	79	0	71	272
Florida.....	2,240	666	102	68	75	84	88	114	107	936
Georgia.....	2,254	355	11	60	72	48	813	35	199	661
Hawaii.....	600	166	3	59	10	32	198	1	13	118

Idaho.....	885	241	93	35	32	6	259	44	22	153
Illinois.....	26,610	3,886	345	6,635	944	4,604	5,004	604	862	3,726
Iowa.....	76	11	3	0	3	3	11	6	2	37
Kansas.....	508	233	2	4	19	37	101	6	23	83
Kentucky.....	5,019	2,472	162	0	500	143	538	25	114	1,065
Louisiana.....	3,310	1,136	100	144	139	245	393	28	27	1,098
Maine.....	141	32	4	0	3	2	43	2	1	54
Maryland.....	2,683	907	54	232	61	523	365	12	26	503
Massachusetts.....	718	72	97	55	22	137	242	0	18	75
Michigan.....	7,356	887	8	1,126	160	108	2,072	30	231	2,734
Minnesota.....	1,114	160	32	166	38	30	224	10	76	378
Mississippi.....	347	50	27	52	12	15	18	1	0	172
Missouri.....	492	81	8	0	21	18	94	3	7	260
Montana.....	134	51	2	4	1	3	13	10	1	49
Nebraska.....	3	1	0	0	0	0	2	0	0	0
New Jersey.....	477	86	2	2	12	59	26	3	3	284
New Mexico.....	(?)	(?)	(?)	(?)	(?)	(?)	(?)	(?)	(?)	(?)
North Carolina.....	124	24	5	0	6	19	13	0	4	53
North Dakota.....	47	9	6	0	2	1	17	0	0	12
Ohio.....	1,042	203	8	357	37	0	325	0	0	112
Oregon.....	69	12	0	2	0	0	1	3	23	28
Pennsylvania.....	5,972	722	46	182	135	597	1,265	64	62	2,899
Puerto Rico.....	3,707	1,024	296	128	329	522	218	5	16	1,169
Rhode Island.....	241	38	2	10	2	0	18	0	2	169
South Carolina.....	701	233	79	59	54	88	95	14	26	53

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AID TO FAMILIES WITH DEPENDENT CHILDREN: REASONS INDIVIDUALS WERE FOUND INAPPROPRIATE FOR REFERRAL TO MANPOWER AGENCY UNDER WORK INCENTIVE PROGRAM, BY STATE, OCTOBER-DECEMBER 1969—Continued

State	Individuals found inappropriate									
	Total	Illness, disability, and/or advanced age	Remoteness from WIN projects	Child aged 16 to 20 attending school full time	Required in home because of illness or incapacity of other member of household	Adequate child care arrangements not currently available	Required in home because of age or number of children	Currently receiving or referred to vocational rehabilitation	Currently receiving or referred to other education or training	Other
South Dakota.....	72	6	8	0	3	1	21	0	2	31
Tennessee.....	861	241	37	161	60	140	59	13	11	139
Utah.....	556	71	9	59	6	46	163	2	115	85
Vermont.....	483	162	11	56	33	12	70	5	7	127
Virginia.....	122	26	0	0	6	59	7	4	1	19
Washington.....	3,101	630	6	280	104	273	1,367	111	12	318
West Virginia.....	141	79	2	22	11	3	18	2	0	4
Wisconsin.....	855	159	20	83	17	30	230	8	17	291
Wyoming.....	67	11	5	0	0	1	9	5	2	34

¹ Excludes data on non-AFDC recipients under temporary assistance program for families of unemployed parents.

² Individuals were referred without assessment or determination of appropriateness for referral to manpower agency.

Clerk's Note: In response to a question by Senator Talmadge (page 230), relative to persons losing welfare benefits for failure to take training or job, the Department subsequently submitted the following tables:

INDIVIDUALS REFERRED BACK TO WELFARE AGENCIES BY MANPOWER AGENCIES UNDER THE WIN PROGRAM WHO REFUSED WITHOUT GOOD CAUSE TO ACCEPT WORK OR TRAINING, BY STATE

State	Cumulative through March 1969	April to June 1969	July to September 1969	Cumulative through September 1969
United States	1,888	1,513	1,183	4,584
Alabama	4	24	27	55
Alaska	0		14	14
Arizona	0	0		0
Arkansas			0	0
California	1,448	1,083	675	3,206
Colorado	1	0	0	1
Connecticut	0	0	1	1
Delaware				
District of Columbia	0	0	0	0
Florida				
Georgia			29	29
Guam				
Hawaii	0			0
Idaho			32	32
Illinois	13	63	60	136
Indiana				
Iowa	0		4	4
Kansas	11	11	8	30
Kentucky	0	0	0	0
Louisiana	1	2	4	7
Maine	0	4	0	4
Maryland	17	39	20	76
Massachusetts	0			
Michigan	2	5	7	14
Minnesota			0	0
Mississippi	0	0	14	14
Missouri	11	10	1	22
Montana	12	6	9	27
Nebraska				
Nevada			0	0

INDIVIDUALS REFERRED BACK TO WELFARE AGENCIES BY MANPOWER AGENCIES UNDER THE WIN PROGRAM WHO REFUSED WITHOUT GOOD CAUSE TO ACCEPT WORK OR TRAINING, BY STATE—Continued

State	Cumulative through March 1969	April to June 1969	July to September 1969	Cumulative through September 1969
New Hampshire			0	0
New Jersey	6	38	29	73
New Mexico				
New York	21	6	23	56
North Carolina				
North Dakota	2	0	4	6
Ohio	34	44	54	132
Oklahoma			0	0
Oregon			4	4
Pennsylvania	4	7		11
Puerto Rico	149	17	13	179
Rhode Island	12	10	23	45
South Carolina			1	1
South Dakota	0	0	3	3
Tennessee	4	0	1	5
Texas				
Utah	0	0	0	0
Vermont	2	12	15	29
Virgin Islands				
Virginia	0	1	3	4
Washington	104	96	78	278
West Virginia	27	19	12	58
Wisconsin	2	16	8	26
Wyoming	1	0	1	2

**AID TO FAMILIES WITH DEPENDENT CHILDREN: INDIVIDUALS REFERRED BACK TO WELFARE AGENCIES BY MANPOWER AGENCIES
UNDER WORK INCENTIVE PROGRAM, BY REASON FOR REFERRAL BACK AND BY STATE, JANUARY-MARCH 1969**

State	Individuals referred back									
	Total	Refused without good cause to accept work or training	Other reasons							Other
			Total	Illness, disability, and/or advanced age	Remoteness from WIN project	Child aged 16 to 20 attending school full time	Required in home because of illness or incapacity of other member of household	Adequate child care arrangements not currently available		
Total:										
Number.....	1,714	107	1,607	406	32	32	72	126	939	
Percent.....	100.0	6.2	93.8	23.7	1.9	1.9	4.2	7.4	54.8	
Arizona.....	199	0	199	38	16	27	27	2	89	
Colorado.....	29	1	28	3	0	0	0	6	19	
Connecticut.....	143	0	143	36	0	0	2	18	87	
District of Columbia ¹	224	0	224	15	0	1	12	0	196	
Kansas.....	102	10	92	18	5	4	0	1	64	
Kentucky.....	69	0	69	27	1	0	8	5	28	
Louisiana.....	12	1	11	4	0	0	1	3	3	
Maine.....	5	0	5	2	0	0	1	2	0	
Maryland.....	61	19	42	3	0	0	2	10	27	
Missouri.....	34	9	25	2	0	0	0	0	23	
Montana.....	28	9	19	0	0	0	0	2	17	
New Jersey.....	170	6	164	66	1	0	9	25	63	
North Dakota.....	10	0	10	2	0	0	0	0	8	

AID TO FAMILIES WITH DEPENDENT CHILDREN: INDIVIDUALS REFERRED BACK TO WELFARE AGENCIES BY MANPOWER AGENCIES UNDER WORK INCENTIVE PROGRAM, BY REASON FOR REFERRAL BACK AND BY STATE, JANUARY-MARCH 1969—Continued

State	Individuals referred back								
	Total	Refused without good cause to accept work or training	Other reasons						Other
			Total	Illness, disability, and/or advanced age	Remoteness from WIN project	Child aged 16 to 20 attending school full time	Required in home because of illness or incapacity of other member of household	Adequate child care arrangements not currently available	
Puerto Rico.....	82	21	61	40	7	0	0	14	0
Rhode Island.....	119	13	106	17	0	0	0	15	74
Tennessee.....	58	0	58	11	1	0	4	8	34
Vermont.....	14	1	13	3	1	0	0	0	4
Virginia.....	34	0	34	17	0	0	2	5	10
West Virginia.....	248	14	234	82	0	0	0	1	151
Wisconsin.....	66	2	64	15	0	0	2	8	39
Wyoming.....	7	1	6	0	0	0	2	1	3

¹ Excludes data on referrals back of non-AFDC recipients under temporary assistance program for families of unemployed parents.

AFDC—CASES CLOSED BY STATE, OCTOBER–DECEMBER 1969

State	Total cases closed	Closed because of refusal without good cause to accept work or training	State	Total cases closed	Closed because of refusal without good cause to accept work or training
United States..	87,630	22	Missouri.....	1,763	
Alabama.....	1,364	0	Montana.....	479	1
Alaska.....	213		Nebraska.....	737	1
Arizona.....	580	1	Nevada.....		
Arkansas.....	715		New Hampshire.....	179	
California.....	35,552	N.A.	New Jersey.....		
Colorado.....	2,354		New Mexico.....	988	
Connecticut.....	1,353	2	New York.....		
Delaware.....	570	2	North Carolina.....		
District of Columbia.....	362		North Dakota.....	335	
Florida.....	3,062	N.A.	Ohio.....		
Georgia.....			Oklahoma.....		
Guam.....			Oregon.....	4,734	2
Hawaii.....	664		Pennsylvania.....		
Idaho.....	680		Puerto Rico.....		
Illinois.....	5,950	N.A.	Rhode Island.....	1,114	2
Indiana.....			South Carolina.....	892	1
Iowa.....	2,096		South Dakota.....		
Kansas.....			Tennessee.....	1,537	
Kentucky.....	2,639		Texas.....	2,238	N.A.
Louisiana.....			Utah.....		
Maine.....	628	1	Vermont.....	462	
Maryland.....	2,928	5	Virgin Islands.....		
Massachusetts.....			Virginia.....		
Michigan.....	988	1	Washington.....	5,086	2
Minnesota.....			West Virginia.....	2,717	1
Mississippi.....	1,433		Wyoming.....	238	

(Excerpt from page 230 of the printed hearings)

Senator TALMADGE. How many people on aid for dependent children have benefited from the earned-income disregard provisions and to what extent have earnings increased as a result of this provision?

Mr. HAWKINS. The number is quite substantial. May we submit actual figures on it for the record?

The proportion of women with some earnings within that program is relatively high; maybe the magnitude of a third or something, and I think we can—

Senator TALMADGE. Will you submit the full details for the record, please?

Mr. HAWKINS. Yes, sir.

Response**AFDC: EARNINGS DISREGARD OF FIRST \$30 OF MONTHLY EARNINGS AND ONE-THIRD OF THE BALANCE**

The provision in Federal law that the first \$30 of monthly earnings and one-third of the balance be disregarded was a mandatory requirement in the AFDC program, effective July 1, 1969. Prior to that date only the 18 jurisdictions listed below had the provision in effect: Alabama, Alaska, Colorado, Connecticut, District of Columbia, Hawaii, Illinois, Kansas, Kentucky, Massachusetts, New Jersey, Ohio, Oklahoma, Oregon, Rhode Island, South Dakota, Virgin Islands, and West Virginia.

Because of the shortness of time between July 1, 1969 and the present date, we have been unable to compile nationwide statistical data on the impact of the disregard provision. The following incomplete information is presented until such time as more complete data can be procured and evaluated.

The attached table shows the number and percent of AFDC mothers who worked full or part time in 1967 and in 1969 in the United States and four large industrial States. In all four States both the number and percent who worked rose between the two years; in only Illinois and Ohio, was the disregard provision of \$30 plus one-third in effect in 1969. Thus it would appear that factors other than the earnings disregard brought about the increase in the other two States and may have been operative also in the two States that had the earnings disregard.

A report has been written concerning the effect of the \$30 one-third earnings disregard in the State of Illinois after 11 months of operation under the policy. The report provides information about the kinds of earnings exemption that ante-dated the \$30 one-third and also supplies detailed information on the exemption policy as it applies to an AFDC family of four persons. Major findings about the first effects of the "Federal policy" on earned income exemptions as given in the report are:

1. A pronounced drop took place in the average monthly amount of earnings "budgeted" (that is in the amount that could be considered against a family's requirements).
2. There was some rise during the year in the number of cases budgeted for earned income but this was due mainly to advancing case-loads. However, there were also indications later in the year that more families were being retained on the rolls because of the new policy. In May 1969, families with earnings numbered 8,450 (up 2,000 from October 1968), but it is not known how many would have been working if the liberalized exemption policy had not been in effect. There was

no question, however, that the increase was due in part to the retention of greater numbers of families in the program than in the past as a direct result of the new policy.

3. Toward the end of the 11-months period, there were some indirect indications that the stimulus to find employment or continue to work was showing results. Thus the number of families with budgeted earnings was up (see 2 above) ; a substantial increase in earnings budgeted occurred toward the end of the year; and the amount of exempted earnings rose from \$550,000 in October 1968, to \$776,000 in May 1969.

4. There were clear indications that the number of AFDC cases being closed because of receipt of employment or increased earnings was decreasing. Just how much of the drop was due to the exemption policy or to other factors, such as lack of employment opportunities, is unknown.

AFDC MOTHERS IN HOME AND EMPLOYED, U.S. AND SELECTED STATES, 1967 AND 1969 ¹

State	Mothers in home and employed							
	Full time				Part time			
	1967		1969		1967		1969	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total, United States.....	84,062	6.6	123,000	7.5	90,615	7.1	94,600	5.8
New York.....	7,458	3.8	14,553	5.6	4,643	2.4	5,977	2.3
Pennsylvania.....	1,796	2.7	2,998	3.3	2,812	4.2	2,907	3.2
Illinois.....	3,990	6.9	6,304	8.2	2,140	3.7	2,537	3.3
Ohio.....	1,613	3.0	6,350	10.1	2,355	4.4	3,144	5.0

¹ Data for 1969 are incompletely edited.

Clerk's Note: In response to a question by Senator Williams (page 233) on the effects of an increased unemployment rate on the Family Assistance plan the Department submitted the following:

The Labor Department has been able to estimate the effects of an unemployment rise up to 6.7 percent, based on actual experience patterns resulting from the level of unemployment. Since there has been no experience with unemployment rates higher than this in the post-World War II period, it is not possible to make valid estimates for a 10 percent rate. The estimates for 1, 2, and 3 percentage point-rises, as well as a technical paper on the methodology used in calculating them, appear in the response to the chairman's question on page 212 of the hearing.

Clerk's Note: In response to questions by Senator Williams (page 235) as to the cost of amendments proposed by Senator Ribicoff, Senator Harris and by Senator McGovern, the Department subsequently furnished the following memorandum:

Response

Under Senator McGovern's Amendment No. 582, free food stamps would be issued to recipients of Family Assistance benefits, State supplementation, and assistance under the adult categories (Title XVI). The value of the free food stamps would be equal to the low cost food plan (established by the USDA) for the appropriate size family minus 25 percent of the family's income. The estimated *total cost* of this provision would be in the neighborhood of \$5.5 billion. The net costs would depend on the type of Food Stamp program that might otherwise be in effect.

The amendments to H.R. 16311 submitted by Senator Ribicoff would add an additional \$4.7 billion a year to the cost estimate for that bill by 1974.

The welfare proposal (S. 3433) submitted by Senator Harris would cost from \$12 to \$17 billion more than H.R. 16311 in 1972, and from \$24 billion to \$37 billion more in 1974.

Clerk's Note: In response to a question by Senator Harris (page 245), requesting information on the number of children eligible for day care, the Department subsequently supplied the following information:

POPULATION, BY AGE AND STATE: 1967

[In thousands. Estimates as of July 1. Total resident population]

State	1967		
	Total	Under 5 years	5 to 17 years
United States.....	197,863	19,191	51,584
New England.....	11,344	1,078	2,821
Maine.....	982	99	254
New Hampshire.....	691	67	175
Vermont.....	420	41	110
Massachusetts.....	5,434	515	1,335
Rhode Island.....	901	82	216
Connecticut.....	2,918	274	732
Middle Atlantic.....	36,676	3,339	8,867
New York.....	18,023	1,676	4,269
New Jersey.....	6,981	639	1,718
Pennsylvania.....	11,672	1,024	2,879
East North Central.....	39,189	3,816	10,487
Ohio.....	10,488	996	2,817
Indiana.....	5,012	499	1,340
Illinois.....	10,887	1,053	2,796
Michigan.....	8,608	850	2,397
Wisconsin.....	4,194	418	1,137
West North Central.....	16,008	1,511	4,234
Minnesota.....	3,625	359	1,005
Iowa.....	2,772	258	727
Missouri.....	4,587	417	1,156
North Dakota.....	632	65	177
South Dakota.....	668	70	186
Nebraska.....	1,443	141	379
Kansas.....	2,281	202	603
South Atlantic.....	29,583	2,954	7,780
Delaware.....	524	52	142
Maryland.....	3,680	922	980
District of Columbia.....	808		189
Virginia.....	4,541	161	1,185
West Virginia.....	1,807		464
North Carolina.....	5,059	501	1,350
South Carolina.....	2,638	279	746
Georgia.....	4,490	480	1,220
Florida.....	6,035	559	1,504

[In thousands. Estimates as of July 1. Total resident population]

State	1967		
	Total	Under 5 years	5 to 17 years
East South Central.....	13,014	1,297	3,494
Kentucky.....	3,201	312	839
Tennessee.....	3,936	374	1,013
Alabama.....	3,533	355	965
Mississippi.....	2,344	256	676
West South Central.....	19,009	1,951	5,165
Arkansas.....	1,972	201	510
Louisiana.....	3,663	406	1,054
Oklahoma.....	2,516	224	624
Texas.....	10,858	1,120	2,977
Mountain.....	7,828	841	2,230
Montana.....	699	69	196
Idaho.....	701	68	199
Wyoming.....	319	32	89
Colorado.....	2,012	194	546
New Mexico.....	1,002	125	311
Arizona.....	1,637	183	461
Utah.....	1,022	117	313
Nevada.....	436	52	114
Pacific.....	25,212	2,404	6,507
Washington.....	3,208	284	843
Oregon.....	1,981	169	509
California.....	18,992	1,833	4,859
Alaska.....	271	36	82
Hawaii.....	760	82	214

Source: Department of Commerce, Bureau of the Census; *Current Population Reports*, Series P-25, No. 416.

DAY CARE FOR ALL CHILDREN OF WORKING MOTHERS

The attached chart provides an estimate of the potential number of children who would be eligible for day care services, if legislation were enacted to provide such service for children of working mothers and for children of present welfare recipients. Based on the average of 3.2 children (one preschool and two school age) which presently constitutes an average AFDC family, this would be a total of almost 13 million pre-school age children and 26 million school age children. The estimated cost of providing care to the 39 million children is \$25 billion for custodial care and \$30.5 billion for developmental care.

	Average annual cost	Total number children (millions)	Total cost (billions)
1. Custodial care:			
Preschool age child.....	\$1,100	13	\$14.5
School age child.....	400	26	10.5
Total.....			25.0
2. Developmental care:			
Preschool age child.....	1,600	13	25.0
School age child.....	400	26	10.5
Total.....			30.5

The above would be reduced by fees collected from parents able to share the cost. Assuming this amounted to 50 percent of the cost, the total would still be considerable.

In addition to these operating costs, funds would also be required for facility development (construction, renovation, land purchase) and initial program start up costs for furnishings, equipment and supplies. No estimate has been made of these costs.

NUMBER OF REGULARLY EMPLOYED MOTHERS AND NUMBER OF CHILDREN RECEIVING AFDC IN JUNE 1969, BY STATE

State	Mothers regularly employed outside the home	Estimated No. AFDC children under 15— June 1969	Total
United States.....	35,408,880	4,309,040	39,717,920
Alabama.....	604,890	70,140	675,030
Alaska.....	37,440	4,632	42,072
Arizona.....	288,990	30,567	319,557
Arkansas.....	318,240	25,832	344,072
California.....	3,562,650	643,132	4,205,782
Colorado.....	386,100	38,582	424,682
Connecticut.....	558,090	52,470	610,560
Delaware.....	91,260	12,563	103,823
District of Columbia.....	209,430	23,829	233,259
Florida.....	1,123,200	120,696	1,243,896
Georgia.....	858,780	114,513	973,293
Guam.....		1,147	1,147
Hawaii.....	127,530	13,120	140,650
Idaho.....	124,020	8,295	132,315
Illinois.....	1,925,820	240,254	2,166,075

NUMBER OF REGULARLY EMPLOYED MOTHERS AND NUMBER OF CHILDREN
RECEIVING AFDC IN JUNE 1969, BY STATE—Continued

State	Mothers regularly employed outside the home	Estimated No. AFDC children under 15—June 1969	Total
Indiana.....	884,520	40,182	924,702
Iowa.....	483,210	38,212	521,422
Kansas.....	401,310	31,059	432,369
Kentucky.....	475,020	77,787	552,807
Louisiana.....	547,560	116,058	663,618
Maine.....	163,800	18,358	182,158
Maryland.....	659,880	82,355	742,235
Massachusetts.....	1,056,510	117,439	1,173,949
Michigan.....	1,402,830	145,070	1,547,900
Minnesota.....	637,650	43,332	680,982
Mississippi.....	401,310	73,600	474,910
Missouri.....	771,030	84,817	855,847
Montana.....	120,510	7,656	128,166
Nebraska.....	266,760	18,074	284,834
Nevada.....	93,600	6,631	100,231
New Hampshire.....	135,720	5,033	140,753
New Jersey.....	1,249,560	147,272	1,396,832
New Mexico.....	170,820	29,598	200,418
New York.....	3,484,260	653,772	4,138,032
North Carolina.....	936,000	72,919	1,008,919
North Dakota.....	104,130	6,399	110,529
Ohio.....	1,785,420	16,391	1,801,811
Oklahoma.....	413,010	56,895	469,905
Oregon.....	336,960	32,582	369,542
Pennsylvania.....	2,065,050	241,059	2,306,109
Puerto Rico.....		125,356	125,356
Rhode Island.....	293,670	22,681	316,351
South Carolina.....	483,210	28,308	511,518
South Dakota.....	119,340	9,441	128,781
Tennessee.....	703,170	78,225	781,395
Texas.....	1,853,280	126,873	1,980,153
Utah.....	186,030	18,381	204,411
Vermont.....	73,710	7,212	80,922
Virgin Islands.....		1,241	1,241
Virginia.....	811,980	49,230	861,210
Washington.....	555,750	49,864	605,614
West Virginia.....	250,380	48,725	299,105
Wisconsin.....	753,480	52,412	805,892
Wyoming.....	62,010	3,080	65,090

In 1972, there will be an estimated 27 million children under 6 years of age and 29 million children aged 6 through 12. Of these, an estimated 3.9 million children under 6 or about 14 percent of their cohort will be in families eligible for FAP benefits and 5.3 million children between 6 and 12 or 18 percent of their cohort will be in such families. The distribution by sex of family head is shown below.

ESTIMATED NUMBER OF CHILDREN IN FAMILIES ELIGIBLE FOR FAP BY SEX OF FAMILY HEAD AND AGE OF CHILDREN

[In thousands]

	Total children	In male-headed families	In female-headed families
Children under 6.....	3,900	2,200	1,700
Children 6 to 12.....	5,300	3,000	2,300
Total.....	9,200	5,200	4,000

ESTIMATED NUMBER OF CHILDREN, FAP CHILD CARE

It has been estimated that 150,000 preschool age and 300,000 school age children will receive care under the Family Assistance Act during the first full year of operation.

This estimate was arrived at by the White House working group for the Family Assistance Act. It is based on the Department of Labor's plan for 150,000 training slots and AFDC family size data which indicates that there is an average of 3.2 children in each AFDC family, one (1) preschool age child and two (2) school age children.

The figures represent, of course, only an initial gross estimate of the children to be served. The Department is presently working with the Department of Labor to refine these estimates in light of more definitive planning in regard to the training program, further study of the AFDC program family compositions and expected registration of AFDC families with preschool age children, and estimates of the need for child care among the working poor families.

(Excerpt from pages 248 and 249 of the printed hearings)

Senator BYRD. How many employees does HEW have?

Secretary FINCH. At this point we are down now to 102,000-plus, from an all-time high a few years ago of 110,000.

At the same time I think it is important to point out that we have gone in the last 2 years from a \$50 billion to a \$60 billion budget.

Senator BYRD. How many do you have in Washington?

Secretary FINCH. If you leave out Baltimore—are you talking about all over the environs of Washington? Including NIH and social security?

Senator BYRD. All in your Department, that you have jurisdiction over in HEW?

Secretary FINCH. Are you including all of the buildings in the immediate environs, Maryland and Virginia, as well as the District? We spread out to Bethesda and Baltimore and other nearby cities. I would guess somewhere between 45,000 and 50,000.

Mr. VENEMAN. We can supply the exact information.

Response

The Department of Health, Education, and Welfare had approximately 29,600 employees in the Metropolitan Washington area on March 31, 1970.

Clerk's Note: In response to a question by Senator Curtis (page 262) as to the average age of fully employed persons whose families will become eligible for family assistance benefits, the Department subsequently submitted the following information:

The estimated median age of family heads who work full-time and whose families would be eligible for family assistance benefits is 41.

(Excerpt from page 264 of the printed hearings)

Senator Curtis. Now, in reference to the nonfarm rural, these employed people with a low income, what percent of them are living in an area of high unemployment where the opportunities are lacking and what percent are in their predicament because they lack training and skills?

Secretary Finch. Again, we will endeavor to get the best information we can from the Department of Labor and the Department of Commerce.

Senator Curtis. Do you have it in reference to the nonfarm rural?

Secretary Finch. No, we do not; sir.

Senator Curtis. Now, in reference to the rural and those people who are living on the farm, how many of those derive their total income from farms and how many of them have a combination of farming and some employment?

Secretary Finch. We will get that material for you, Senator. We will have it for you within a few days.

Response

The information requested on the relationship of potential Family Assistance recipients to unemployment rates in nonfarm, rural areas cannot be provided at this time. The survey data used in making cost estimates for FAP cannot be used with any confidence to pinpoint

recipients to small localities. Such data would have to be used in regional aggregates, and this level of aggregation would hide the correlation of FAP families with pockets of high unemployment.

The specific data requested on source of income for rural families are not available.

Clerk's Note: *In response to a question by Senator Curtis (page 265) regarding the number of States in which the Office of Economic Opportunity conducted interviews leading to data included in a document prepared by the Department entitled "Selected Characteristics for Families Eligible for the Family Assistance Plan," the Department subsequently submitted for the record the following response:*

The Office of Economic Opportunity special survey of 1966 was based on interviews conducted in all 50 States.

Clerk's Note: *In response to questions by Senator Curtis (page 269) regarding the relationship between family income and family stability, the Department subsequently furnished for the record the following data:*

AFDC FAMILIES BY STATUS OF FATHER, 1969

Status	Number	Percent
Total.....	1,630,400	100.0
Dead.....	89,700	5.5
Incapacitated.....	187,900	11.5
Unemployed, or employed part time, and—Enrolled in work or training program.....	36,000	2.2
Awaiting enrollment after referral to WIN.....	14,800	.9
Neither enrolled nor awaiting enrollment.....	28,200	1.7
Absent from the home:		
Divorced.....	223,600	13.7
Legally separated.....	45,200	2.8
Separated without court decree.....	177,500	10.9
Deserted.....	258,900	15.9
Not married to mother.....	454,800	27.9
In prison.....	42,100	2.6
Absent for another reason.....	26,700	1.6
Other status:		
Stepfather case.....	30,400	1.9
Children not deprived of support or care of father, but of mother.....	14,400	.9
Not reported.....	200	(¹)

¹ Less than 0.05.

DESERTION, FAMILY SIZE, AND ILLEGITIMACY AS RELATED TO INCOME

DESERTION

Of all ever married persons who are separated from their spouses, 60 percent of the males and 84 percent of the females have incomes of less than \$3,000 (table I).

The proportion of all ever married males who are separated from their spouses declines with rising income; 2 percent of all males with incomes under \$3,000 are separated, while only 1.3 percent of those with income above \$3,000 are separated. For females, the relationship between income and separation is more irregular, although the proportion separated does decline consistently with increased income above \$3,000 (table II).

In 16 percent of all female headed AFDC families in 1969, the father had deserted, and in 30 percent of such families the father was absent through separation¹ (comparable to the definition of separation used for census data).

FAMILY SIZE

Although median income increases with family size, larger families are more likely to be poor. About 9.0 percent of all families in 1966 were poor, but over 11 percent of all six-person families and 21 percent of families of seven or more persons were below the poverty level, as indicated in table III.

ILLEGITIMACY

Although no national data is available linking illegitimacy rates to income level, a survey of the literature supports the view that illegitimacy declines with rising income. (This does not necessarily mean that illegitimate conceptions vary with income.) The estimates in table IV indicate that about 16 percent of births to poor and near poor women are illegitimate, as compared to 2 percent for the nonpoor.

Moynihan's report on the Negro family presents statistics for non-white illegitimate births in the District of Columbia which reflect the same relationship.

Thirty-one percent of all children in AFDC families are illegitimate and almost 45 percent of all AFDC families have illegitimate recipient children.²

¹ Preliminary report of findings—1969 AFDC study, table 16, p. 23.

² *Ibid.*, tables 13 and 14, pp. 20-21.

TABLE I—PERCENTAGE DISTRIBUTION OF EVER MARRIED PERSONS, 14 YEARS AND OVER, SEPARATED FROM SPOUSE, BY INCOME IN 1959

	Percentage distribution of persons separated from spouse ¹	
	Male	Female
Total.....	100.0	100.0
Without income.....	9.0	17.7
With income:		
\$1 to \$999.....	20.5	29.6
\$1,000 to \$2,999.....	30.1	36.2
\$3,000 to \$4,999.....	23.0	13.2
\$5,000 to \$6,999.....	11.5	2.4
\$7,000 to \$9,999.....	3.9	.6
\$10,000 and over.....	2.1	.2
Median income.....	\$2,661	\$1,637

¹ Separated persons are those with legal separations, those living apart with intentions of obtaining a divorce, and other persons permanently or temporarily estranged from their spouse because of marital discord.

Source: U.S. Department of Commerce, Bureau of the Census. U.S. States Census of Population, 1960, *Marital Status*, table 61, pp. 109-110.

TABLE II—PROPORTION OF EVER MARRIED PERSONS, 14 YEARS AND OVER, SEPARATED FROM SPOUSE, BY INCOME IN 1959

	Proportion separated from spouse ¹	
	Male	Female
Total.....	0.5	2.0
Without income.....	1.3	0.8
With income:		
\$1 to \$999.....	2.2	2.6
\$1,000 to \$2,999.....	2.1	4.1
\$3,000 to \$4,999.....	1.5	2.7
\$5,000 to \$6,999.....	0.9	2.0
\$7,000 to \$9,999.....	0.6	1.9
\$10,000 and over.....	0.5	1.3
Median income.....	\$2,661	\$1,637

¹ Separated persons are those with legal separations, those living apart with intentions of obtaining a divorce, and other persons permanently or temporarily estranged from their spouse because of marital discord.

Source: U.S. Department of Commerce, Bureau of the Census: U.S. States Census of Population, 1960, *Marital Status*, table 61, pp. 109-110.

TABLE III—POVERTY AMONG FAMILIES IN METROPOLITAN AREAS. BY FAMILY SIZE, 1966

[Families in thousands]

Size of family	All areas				In nonpoverty area			In poverty area		
	Families	Median income	Below poverty level		Families	Below poverty level		Families	Below poverty level	
			Percent	Median income		Percent	Median income		Percent	Median income
2 persons.....	9,026	\$6,618	11.2	\$1,499	7,758	9.6	\$1,503	1,448	19.4	\$1,484
3 persons.....	5,596	8,535	6.7	1,595	4,753	4.8	1,590	843	17.4	1,602
4 persons.....	5,394	9,122	6.4	2,239	4,653	4.3	2,284	741	19.8	2,181
5 persons.....	3,496	9,379	8.5	2,617	3,024	5.6	2,397	472	26.7	2,821
6 persons.....	1,850	9,194	11.3	3,162	1,552	6.3	3,102	308	37.0	3,172
7 or more persons.....	1,720	8,640	20.9	3,949	1,263	12.6	4,030	457	43.8	3,870

Source. *Statistical Abstract of the United States, 1969*, Department of Commerce, Bureau of the Census, table 487.

TABLE IV—ESTIMATE OF ILLEGITIMATE BIRTHS DURING 1960-65 FOR WOMEN INCLUDED AMONG THE POOR AND NEAR POOR IN MARCH 1966, BY RACE

Poverty status	Estimated illegitimate births		
	Total	White	Nonwhite
Average annual number:			
Total.....	256,000	102,000	154,000
Poor and near poor.....	189,000	63,000	126,000
Other.....	67,000	29,000	28,000
Percent of total births:			
Total.....	6.2	3.0	23.4
Poor and near poor.....	15.7	8.1	29.6
Other.....	2.3	1.5	12.1

Source: Campbell, Arthur A.: "The Role of Family Planning in the Reduction of Poverty." *Journal of Marriage and The Family*, May 1968, vol. 30, No. 2, pp. 236-245.

TABLE V—PERCENT OF NONWHITE ILLEGITIMATE BIRTHS IN 1963, IN DISTRICT OF COLUMBIA CENSUS TRACTS, AS RELATED TO NONWHITE 1960 UNEMPLOYMENT RATE OF CENSUS TRACTS ¹

Census tracts with nonwhite male unemployment rates of	Percent of births illegitimate
12.0 and over.....	40.8
9.0-11.9.....	37.9
6.0-8.9.....	31.1
3.0-5.9.....	28.1
2.0 and below.....	17.6

Source. U.S. Department of Labor, Office of Policy Planning and Research: *The Negro Family-The Case for National Action*, Mar. 1965. p. 69.

Clerk's Note: Following up on questions by Senator Williams (p. 281) regarding the Federal rent supplement program, the Department subsequently submitted for the record the following memorandum:

RENT SUPPLEMENT PROGRAM

The rent supplement program, enacted in the Housing and Urban Development Act of 1965 and amended by the 1968 and 1969 acts, was the first market rate Federal housing program providing assistance to lower income families which enabled them to afford modern rental accommodations other than public housing units. The program provides for rent supplements on behalf of needy tenants. Housing provided is privately owned, privately operated, and primarily privately financed. A market rental rate sufficient to cover applicable debt serv-

ice, maintenance, and management expenses is established for each rental unit. Eligible tenants are required to pay 25 percent of their income toward the rental rate. The deficiency is made up in the form of a Federal rent supplement payment made directly to the project owner. Families may remain in the project even if their income eventually exceeds eligibility levels. It is anticipated that these provisions will lead to an economic diversity among tenants.

The law provides that tenants must meet certain income and asset requirements and belong to one of the following groups: elderly or physically handicapped; persons displaced or about to be displaced by urban renewal, code enforcement, or other governmental action; persons living in substandard housing; or individuals left homeless by a natural disaster. The housing legislation of 1968 revised procedures for determining monthly supplements, as well as eligibility for admission, by allowing a \$300 deduction per minor child and by excluding earnings of such minors from family income.

Most mortgages in the program will be FHA insured under the section 221(d)(3) market rate program. Not more than 10 percent of the contract authority approved in the annual appropriation acts may be utilized for the experimental part of the program, of which one-half may be used for housing insured under the section 221(d)(3) below market interest rate program (BMIR), and one-half for housing for the elderly under the direct loan program (sec. 202) and the elderly housing mortgage insurance program (sec. 231). In addition, the 1968 and 1969 Housing Acts made it possible for the rent supplement program to be used in conjunction with State and locally assisted subsidized housing programs.

More than 22,000 units are occupied by tenants receiving the benefit of rent supplements, and at least 77,000 additional units are at some stage of processing in the program. Of the more than 22,000 units which are occupied, somewhat less than 5,000 are occupied by tenants whose incomes are comprised in part or in whole of welfare payments. Under section 202, a program for the elderly, probably less than 10 percent of the tenants are receiving welfare payments. Approximately one-quarter of the tenants under other programs receive welfare payments.

**RENT SUPPLEMENT UNITS UNDER PAYMENT IN SELECTED CITIES MAY 1970
BY PROGRAM**

City	Sec. 202	221(d)(3) MIR	221(d)(3) BMIR
Wilmington.....	0	0	0
Phoenix.....	42	0	0
Chicago.....	7	0	22
New York.....	77	77	1,128

INCOME ELIGIBILITY LIMITS WHICH WOULD OPERATE IN THE 4 CITIES

	Family size						
	1	2	3	4	5	6	7
New York City.....	\$4,320	\$5,472	\$6,336	\$6,336	\$7,500	\$7,500	\$7,500
Chicago.....	4,200	4,800	5,400	6,000	6,600	7,200	7,500
Phoenix.....	3,300	3,600	3,900	4,200	4,500	4,800	5,100
Wilmington.....	3,700	4,300	4,600	4,800	5,100	5,400	5,700

TENANTS IN AN ILLUSTRATIVE RENT SUPPLEMENT PROJECT IN NEW YORK CITY THAT PAID RENT AND RECEIVED A HOUSING "BONUS"

Unit size	Family size	Fair market rental	Tenant pays	Monthly housing subsidy	Annual housing subsidy
Efficiency.....	1	\$105	\$87	\$18	\$216
1 bedroom....	2	165	132	33	396
2 bedroom....	4	215	167	48	576
3 bedroom....	6	265	175	90	1,080
4 bedroom....	8	287	197	90	1,080

HUD-FHA ASSISTED PROGRAM FOR THE RENT SUPPLEMENT PROGRAM

WHAT IT IS

Privately built housing for low-income families and individuals eligible for public housing and who are either displaced by governmental action, 62 years of age (or older), physically handicapped, living in substandard housing, or whose unit was damaged or destroyed by natural disaster.

Provides assistance in the form of monthly Federal payment to owner in behalf of low-income tenants.

ELIGIBLE PROJECTS

Only new housing projects or existing ones involving major rehabilitation. Five or more units—detached, semi-detached, row walk-up, or elevator structures.

Modest design suitable to the market and location.

Must be built in conformity with FHA minimum property standards.

Regulated by FHA rents, rate of return, methods of operation, rent supplement payments.

Must be *either* part of a workable program for community improvement or have local official approval.

ELIGIBLE SPONSORS AND MORTGAGORS

Private non-profit organization, limited dividend mortgagor, or cooperative housing corporation.

Consideration given to qualifications of sponsors—character, integrity, motivation, past successful participation in housing, demonstrable interest in this type of housing, recognition of continuing responsibility, financial ability, capacity to provide competent management.

PROJECT MANAGEMENT

Success depends on competent project management.

Housing owner expected to assist tenants in application preparation.

Management has fiscal responsibilities—monthly statements, re-certifications of incomes.

Management program must be approved by FHA at least 30 days prior to initial endorsement.

FINANCED BY

Private lenders (mortgagees eligible for purchase by FNMA).

MORTGAGE LIMITS

Limits and terms applicable to Sections 221 (d) (3).

Maximum amount—not in excess of \$12,500,000.

Mortgage term—40 years or $\frac{3}{4}$ of economic life of property.

Repayment—level annuity monthly plan (equal monthly payments to principal & interest).

HOW ONE BEGINS

Preliminary conference with FHA—identifying locality, general site, proposed type and number of living units, need for housing, type of people to be served, plans for management.

If project appears feasible—sponsor will be asked to submit for pre-application analysis.

Pre-application analysis and other forms and exhibits will not be executed until sponsor has been advised that rent supplement funds have been allocated.

Favorable decision resulting from pre-application analysis will result in formal request for rent supplement funds.

Formal application will be invited (accompanied by required fee).

ABOUT THE TENANTS

Eligible tenants described in opening paragraph.

Income limits must be within those of public housing locally.

Total assets cannot exceed \$2,000 *unless* applicant is 62 years or older, in which case assets may total \$5,000 (personal property excluded).

Supplement for any tenant may not exceed 70% and must represent at least 10% of the FHA-approved rent for the unit.

Must enter into lease with housing owner.

RENT SUPPLEMENT AMOUNT

Difference between 25% of gross income and FHA-approved rental for unit represents rent supplement amount.

Re-certification of income required yearly (except for elderly).

FHA insuring office will negotiate rent supplement contracts.

It will provide that payment of rent supplements for eligible tenants will be made monthly, by voucher initiated by housing owner.

NOTE: Tenants do not have to move from a rent supplement project when they become over-income for supplement eligibility. They then pay the full rental if they wish to remain in occupancy.

Clerk's Note: Following up on questions by the chairman (page 296) regarding the Department's view on a recent Supreme Court decision striking down a California statute stating that the income of a man who assumed the role of a husband is available to the family and should be counted for welfare purposes, the Department subsequently submitted for the record the following statement:

The Supreme Court decision in *Lewis v. Martin* upheld the validity of an HEW regulation. This regulation applies to the existing AFDC program and resulted from the provisions of the Social Security Act, the history of the program, and the earlier Supreme Court decision in *King v. Smith*.

Under 45 CFR section 203.1, a parent's income is considered available for support of children in the household in the case of the

children's natural or adoptive parent, or a stepparent who has the same obligation under State law to support the children as a natural parent. Income of any other individual in the household, including that of an unrelated male, may be considered only to the extent that it is actually contributed.

Under the family assistance plan, this policy is continued. Step-fathers would be members of the family for purposes of both the family assistance benefits and supplementary payments. Their income would be treated like that of other family members. Unrelated individuals would not be part of the family for purposes of payments, nor would their income be counted unless contributed to the family.

Clerk's Note: In response to questions by Senator Bennett (page 299) for data comparing the impact of other aid programs on the current welfare program (as contrasted to table 3 on page 277 and table 4 on page 282 of pt. 1 of the hearings), the Department subsequently submitted the following charts for the record:

CURRENT LAW

[Benefits potentially available to 4-person female-headed families in Chicago, Ill.]

Earnings	Benefits potentially available to 82 percent of AFDC recipients in Chicago					Benefits potentially available to 18 percent of AFDC recipients in Chicago			Total	
	AFDC ¹	Total gross cash income	Total Federal, State, and social security taxes ^{2,3,4}	Net cash income	Current schedule ⁵ food stamp bonus ⁶	Total net cash and food	Current public housing bonus ⁷	Total net cash, food, and public housing		Average vendor payment to health services** for AFDC families ⁸
\$0.....	\$2,976	\$2,976		\$2,976	\$480	\$3,456	\$840	\$4,296	\$790	\$5,086
\$720.....	2,976	3,696	\$35	3,661	360	4,021	840	4,861	790	5,651
\$1,000.....	2,976	3,976	48	3,928	312	4,240	840	5,080	790	5,870
\$2,000.....	2,590	4,590	96	4,494	288	4,782	840	5,622	790	6,412
\$3,000.....	1,923	4,923	144	4,779	288	5,067	840	5,907	790	6,697
\$4,000.....	1,256	5,256	332	4,924	288	5,212	840	6,052	790	6,842
\$5,000.....	589	5,589	567	5,022	288	5,310	840	6,150	790	6,940
\$6,000.....		6,000	837	5,163		5,163	⁸ 960	6,123		6,123
\$7,000.....		7,000	1,074	5,926		5,926	(⁹)	5,926		5,926
\$8,000.....		8,000	1,318	6,682		6,682	(⁹)	6,682		6,682
\$9,000.....		9,000	1,527	7,473		7,473		7,473		7,473

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⁰Less than 40 percent of the poor nationwide currently receive some form of food benefits.

^{**}Medical vendor payments do not represent cash income available to families and should not be counted as part of total family income. Such payments are made on behalf of families with medical needs only. The AFDC maximum payment level for a 4-person family (\$3,156) is adjusted here to \$2,976 because public housing rent is less than the maximum AFDC rent allowance.

¹ State supplement is based on the following maximum payments: New York City, \$3,756 (adjusted to \$3,576 for rent as paid to public housing); Chicago, \$3,156 (adjusted to \$2,976 for rent as paid to public housing). Work-related expenses were based on estimated State averages of \$708 in Illinois, \$900 in New York.

² Federal tax based on current schedule, including surcharge.

³ State tax based on current schedule.

⁴ Social security tax based on 4.8 percent of earnings up to \$7,800.

⁵ Food-stamp bonus based on value of food-stamp allotment less purchase price.

⁶ Public housing bonus calculated on the basis of the value of equivalent private market rentals less the maximum rent allotment for AFDC recipients (\$90 in Chicago and \$105 in New York).

⁷ Medicaid benefit shown is the average benefit for all AFDC families in State. Individual families may receive more or less depending upon medical needs. State eligibility standards apply.

⁸ Bonus in areas above AFDC breakeven as families move from welfare to nonwelfare rent schedules.

⁹ Above continued occupancy limits, but families may be allowed to stay until other housing is located.

CURRENT LAW

[Benefits potentially available to 4-person female-headed families in New York City, N.Y.]

Earnings	Benefits potentially available to 92 percent of AFDC recipients in New York City					Benefits potentially available to 8 percent of AFDC recipients in New York City		Average vendor payment to health services** for AFDC families	Total	
	AFDC ¹	Total gross cash income	Total Federal, State, and social security taxes ^{2,4}	Net cash income	Current schedule ³ food stamp bonus ⁵	Total net cash and food	Current ⁶ Public housing bonus			Total net cash, food and public housing
\$0.....	\$3,576	\$3,576		\$3,576	\$360	\$3,936	\$420	\$4,356	\$1,153	\$5,509
\$720.....	3,576	4,296	35	4,261	312	4,573	420	4,993	1,153	6,146
\$1,000.....	3,382	4,382	48	4,334	288	4,622	420	5,042	1,153	6,195
\$2,000.....	2,715	4,715	96	4,619	288	4,907	420	5,327	1,153	6,480
\$3,000.....	2,048	5,048	144	4,904	288	5,192	420	5,612	1,153	6,765
\$4,000.....	1,381	5,381	333	5,048	288	5,336	420	5,756	1,153	6,909
\$5,000.....	714	5,714	584	5,130	288	5,418	420	5,838	1,153	6,991
\$6,000.....	47	6,047	871	5,176	268	5,464	420	5,884	1,153	7,037
\$7,000.....		7,000	1,133	5,867		5,867	⁸ 720	6,587		6,587
\$8,000.....		8,000	1,403	6,597		6,597	⁸ 720	7,317		7,317
\$9,000.....		9,000	1,644	7,356		7,356	(⁹)	7,356		7,356

¹ Less than 40 percent of the poor nationwide currently receive some form of food benefits. Independently of family assistance, New York will institute a food stamp program in the fall of 1970. Therefore, the current schedule food stamp bonus is shown here rather than the commodity value.

² Medical vendor payments do not represent cash income available to families, and should not be counted as part of total family income. Such payments are made on behalf of families with medical needs only. The AFDC maximum payment level for a 4-person family (\$3,756) is adjusted here to \$3,576 because public housing rent is less than the maximum AFDC rent allowance.

³ State supplement is based on the following maximum payments: New York City, \$3,756 (adjusted to \$3,576 for rent as paid to public housing); Chicago, \$3,156 (adjusted to \$2,976 for rent as paid to public housing). Work-related expenses were based on estimated State averages of \$708 in Illinois, \$900 in New York.

⁴ Federal tax based on current schedule, including surcharge.

⁵ State tax based on current schedule.

⁶ Social security tax based on 4.8 percent of earnings up to \$7,800.

⁷ Food stamp bonus based on value of food stamp allotment less purchase price.

⁸ Public housing bonus calculated on the basis of the value of equivalent private market rentals less the maximum rent allotment for AFDC recipients (\$90 in Chicago and \$105 in New York).

⁹ Medicaid benefit shown is the average benefit for all AFDC families in State. Individual families may receive more or less depending upon medical needs. State eligibility standards apply.

¹⁰ Bonus increases above AFDC break-even as families move from welfare to nonwelfare rent schedules.

¹¹ Above continued occupancy limits, but families may be allowed to stay until other housing is located.

Clerk's Note: *In response to a request by Senator Talmadge (conveyed by the chairman, p. 299) for tables showing the impact of other Federal programs on the family assistance plan as it would apply in Atlanta, Ga., and Brooks County, Ga., the Department subsequently submitted for the record the following charts:*

COMPARISON OF BENEFITS AVAILABLE FOR SELECTED INCOME-TESTED PROGRAMS UNDER FAMILY ASSISTANCE AND CURRENT LAW/ IN ATLANTA, GA.; BROOKS COUNTY, GA.; LOS ANGELES, CALIF.; NEWARK, N.J.

I. Under family assistance*—Benefits potentially available to 4-person female headed recipient families: Excludes public housing which will not be available to 94 percent of family assistance families nationwide.

Tables:

- 1—Atlanta, Ga.
- 2—Brooks County, Ga.
- 3—Los Angeles, Calif.
- 4—Newark, N.J.

II. Under family assistance*—Benefits potentially available to f-person female-headed recipient families: Includes public housing which will be available to only 6 percent of family assistance families nationwide.

Tables:

- 5—Atlanta, Ga.
- 6—Brooks County, Ga.
- 7—Los Angeles, Calif.
- 8—Newark, N.J.

III. Under current law—Benefits potentially available to 4-person female-headed recipient families.

Table:

- 9—Atlanta, Ga.
- 10—Brooks County, Ga.
- 11—Los Angeles, Calif.
- 12—Newark, N.J.

* Administration's June amendments and proposals.

TABLE 1—FAMILY ASSISTANCE

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILY IN ATLANTA, GA.

[Excludes public housing which will not be available to 94 percent of family assistance families nationwide]

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, and social security taxes ³	Total net money income less FHIP* contribution	Food stamp bonus ⁴ **	Total net money income and food bonus	Medical insurance premium value ⁵ ***	Medical insurance subsidy	Total
\$0.....	\$1,600		\$1,600		\$1,600	\$840	\$2,440	\$500	\$500	\$2,940
\$720.....	1,600		2,320	\$37	2,247	611	2,858	500	464	3,322
\$1,000.....	1,460		2,460	52	2,365	566	2,931	500	457	3,388
\$2,000.....	960		2,960	104	2,788	407	3,195	500	432	3,627
\$3,000.....	460		3,460	156	3,188	248	3,436	500	384	3,820
\$4,000.....			4,000	236	3,594	76	3,670	500	330	4,000
\$5,000.....			5,000	440	4,215		4,215	500	155	4,370
\$6,000.....			6,000	674	5,326		5,326			5,326
\$7,000.....			7,000	926	6,074		6,074			6,074
\$8,000.....			8,000	1,166	6,834		6,834			6,834

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*Family health insurance plan (FHIP).

**Less than 40 percent of the poor, nationwide, currently receive some form of food benefits.

***Medical insurance premium does not represent cash income available to families, and should not be counted as part of total family income. See footnotes on p. 1042.

TABLE 2—FAMILY ASSISTANCE BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILY IN BROOKS COUNTY, GA.

[Excludes public housing which will not be available to 94 percent of family assistance families nationwide]

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, and social security taxes ³	Total net money income less FHIP contribution	Food stamp bonus ⁴ **	Total net money income and food bonus	Medical insurance premium value ⁵ ***	Medical insurance subsidy ⁵	Total
\$0.....	\$1,600		\$1,600		\$1,600	\$840	\$2,440	\$500	\$500	\$2,940
\$720.....	1,600		2,320	\$37	2,247	611	2,858	500	464	3,322
\$1,000.....	1,460		2,460	52	2,365	566	2,931	500	457	3,388
\$2,000.....	960		2,960	104	2,788	407	3,195	500	432	3,627
\$3,000.....	460		3,460	156	3,188	248	3,436	500	384	3,820
\$4,000.....			4,000	236	3,594	76	3,670	500	330	4,000
\$5,000.....			5,000	440	4,215		4,215	500	155	4,370
\$6,000.....			6,000	674	5,326		5,326			5,326

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*Family health insurance plan (FHIP).
 **Less than 40 percent of the poor nationwide, currently receive some form of food benefits.

***Medical insurance premium does not represent cash income available to families, and should not be counted as part of total family income.
 See footnotes on p. 1042.

TABLE 3.—FAMILY ASSISTANCE
BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILY IN LOS ANGELES, CALIF.
 [Excludes public housing which will not be available to 94 percent of family assistance families nationwide]

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, and social security taxes ³	Total net money income less FHIP* contribution	Food-stamp bonus ⁴ **	Total net money income and food bonus	Medical insurance premium value ⁵ ***	Medical insurance subsidy ⁵	Total
\$0	\$1,600	\$1,052	\$2,652		\$2,599	\$505	\$3,104	\$500	\$447	\$3,551
\$720.....	1,600	1,052	3,372	\$37	3,228	276	3,504	500	393	3,897
\$1,000.....	1,460	1,005	3,465	52	3,297	246	3,543	500	384	3,927
\$2,000.....	960	838	3,798	104	3,544	141	3,685	500	350	4,035
\$3,000.....	460	671	4,131	156	3,792	35	3,827	500	317	4,144
\$4,000.....		483	4,843	236	4,029		4,029	500	282	4,311
\$5,000.....			5,000	432	4,223		4,223	500	155	4,378
\$6,000.....			6,000	648	5,352		5,352			5,352
\$7,000.....			7,000	888	6,112		6,112			6,112
\$8,000.....			8,000	1,127	6,873		6,873			6,873
\$9,000.....			9,000	1,387	7,613		7,613			7,613

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* Family health insurance plan (FHIP).
 **Less than 40 percent of the poor nationwide currently receive some form of food benefits.

*** Medical insurance premium does not represent cash income available to families, and should not be counted as part of total family income. See footnotes on p. 1042.

TABLE 4.—FAMILY ASSISTANCE BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILY IN NEWARK, N.J.

[Excludes public housing which will not be available to 94 percent of family assistance families nationwide.]

Earnings	FAP benefit ¹	State supplement ²	Total money gross income	Federal, State, and social security taxes ³	Total net money income less FHIP* contribution	Food stamp bonus ^{4**}	Total net money income and food bonus	Medical insurance premium value ^{5***}	Medical insurance subsidy ⁵	Total
\$0.....	\$1,600	\$2,456	\$4,056	.....	\$3,880	\$59	\$3,939	\$500	\$324	\$4,263
\$720.....	1,600	2,456	4,776	\$37	4,450	.....	4,450	500	211	4,661
\$1,000.....	1,460	2,409	4,869	52	4,505	.....	4,505	500	188	4,693
\$2,000.....	960	2,242	5,202	104	4,702	.....	4,702	500	104	4,806
\$3,000.....	460	2,075	5,535	156	4,900	.....	4,900	500	21	4,921
\$4,000.....	.....	1,887	5,887	236	5,651	.....	5,651	.....	.....	5,651
\$5,000.....	.....	1,316	6,316	432	5,884	.....	5,884	.....	.....	5,884
\$6,000.....	.....	758	6,758	648	6,110	.....	6,110	.....	.....	6,110
\$7,000.....	211	7,211	880	6,331	6,331	6,331
\$8,000.....	8,000	1,092	6,908	6,908	6,908
\$9,000.....	9,000	1,316	7,684	7,684	7,684

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*Family health insurance plan (FHIP).
 **Less than 40 percent of the poor nationwide currently receive some form of food benefits.

***Medical insurance premium does not represent cash income available to families, and should not be counted as part of total family income. See footnotes on p 1042.

TABLE 5—FAMILY ASSISTANCE

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED IN ATLANTA, GA.

[Includes public housing which will not be available to 6 percent of family assistance families nationwide and only approximately 18 percent of all AFDC families in Atlanta]

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, and social security taxes ³	Total net money income less FHIP* contribution	Food stamp bonus** ⁴	Total net money income and food bonus	Housing bonus to family under proposed 1970 Housing Act ⁵	Total net money, food, and Housing value*** ⁶	Medical insurance premium ⁷	Medical insurance subsidy ⁸	Total
\$0.....	\$1,600		\$1,600		\$1,600	\$840	\$2,440	\$1,000	\$3,440	\$500	\$500	\$3,940
\$720.....	1,600		2,320	\$37	2,247	611	2,858	856	3,714	500	464	4,178
\$1,000.....	1,460		2,460	52	2,365	566	2,931	828	3,759	500	457	4,216
\$2,000.....	960		2,960	104	2,788	407	3,195	728	3,923	500	432	4,355
\$3,000.....	460		3,460	156	3,188	248	3,436	628	4,064	500	384	4,448
\$4,000.....			4,000	236	3,594	76	3,670	510	4,180	500	330	4,510
\$5,000.....			5,000	440	4,215		4,215	260	4,475	500	155	4,630
\$6,000.....			6,000	674	5,326		5,326	10	5,336			5,336
\$7,000.....			7,000	926	6,074		6,074		6,074			6,074
\$8,000.....			8,000	1,166	6,834		6,834		6,834			6,834

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* Family health insurance plan (FHIP).
 ** Less than 40 percent of the poor nationwide currently receive some form of food benefits.
 *** Medical insurance premium does not represent cash income available to families, and should not be counted as part of total family income. See footnotes on p. 1042.

TABLE 6—FAMILY ASSISTANCE

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON, FEMALE-HEADED FAMILY IN BROOKS COUNTY, GA.

[Includes public housing which will be available to only 6 percent of family assistance families nationwide, and only 6 percent of all AFDC families in Brooks County]

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, and social security taxes ³	Total net money income less FHIP* contribution	Food stamp bonus ⁴ **	Total net money income and food bonus	Housing bonus to family under proposed 1970 Housing Act ⁶	Total net money, food, and Housing	Medical insurance premium value ⁵ ***	Medical insurance subsidy ⁵	Total
\$0.....	\$1,600		\$1,600		\$1,600	\$840	\$2,440	\$640	\$3,080	\$500	\$500	\$3,580
\$720.....	1,600		2,320	\$37	2,247	611	2,858	496	3,354	500	464	3,818
\$1,000.....	1,460		2,460	52	2,365	566	2,931	468	3,399	500	457	3,856
\$2,000.....	960		2,960	104	2,788	407	3,195	368	3,563	500	432	3,995
\$3,000.....	460		3,460	156	3,188	248	3,436	268	3,704	500	384	4,088
\$4,000.....			4,000	236	3,594	76	3,670	150	3,820	500	330	4,150
\$5,000.....			5,000	440	4,215		4,215		4,215	500	155	4,370
\$6,000.....			6,000	674	5,326		5,326		5,326			5,326

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*Family health insurance plan (FHIP).

**Less than 40 percent of the poor nationwide currently receive some form of food benefits.

***Medical insurance premium does not represent cash income available to families, and should not be counted as part of total family income. See footnotes on p. 1042.

TABLE 7—FAMILY ASSISTANCE
BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILY IN LOS ANGELES, CALIF.
 [Includes public housing which will not be available to 6 percent of family assistance families nationwide]

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, and social security taxes ³	Total net money income less FHIP* contribution	Food stamp bonus ^{4**}	Total net money income and food bonus	Housing bonus to family under proposed 1970 Housing Act ⁵	Total net money, food, and housing	Medical insurance premium value ^{5***}	Medical insurance subsidy ⁵	Total
\$0.....	\$1,600	\$1,052	\$2,652		\$2,599	\$505	\$3,104	\$1,330	\$4,434	\$500	\$447	\$4,881
\$720.....	1,600	1,052	3,372	\$37	3,228	276	3,504	1,186	4,690	500	393	5,083
\$1,000.....	1,460	1,005	3,465	52	3,297	246	3,543	1,167	4,710	500	384	5,094
\$2,000.....	960	838	3,798	104	3,544	141	3,685	1,100	4,785	500	350	5,135
\$3,000.....	460	671	4,131	156	3,792	35	3,827	1,017	4,844	500	317	5,161
\$4,000.....		483	4,483	236	4,029		4,029	929	4,958	500	282	5,240
\$5,000.....			5,000	432	4,223		4,223	800	5,023	500	155	5,178
\$6,000.....			6,000	648	5,352		5,352	550	5,352			5,352
\$7,000.....			7,000	888	6,112		6,112	300	6,412			6,412
\$8,000.....			8,000	1,127	6,873		6,873	50	6,923			6,923
\$9,000.....			9,000	1,387	7,613		7,613		7,613			7,613

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*Family health insurance plan (FHIP).
 **Less than 40 percent of the poor nationwide currently receive some form of food benefits.

***Medical insurance premium does not represent cash income available to families, and should not be counted as part of total family income. See footnotes on p. 1042.

TABLE 8.—FAMILY ASSISTANCE BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILY IN NEWARK, N.J.

[Includes public housing which will not be available to 6 percent of family assistance families nationwide and only 12 percent of all AFDC families in Newark]

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, and social security taxes ³	Total net money income less FHIP contribution [*]	Food stamp bonus ⁴ **	Total net money income and food bonus	Housing bonus to family under proposed 1970 Housing Act ⁶	Total net money, food, and Housing	Medical insurance premium value ³ ***	Medical insurance subsidy ⁵	Total
\$0.....	\$1,600	\$2,456	\$4,056	.....	\$3,880	\$59	\$3,939	\$784	\$4,723	\$500	\$324	\$5,047
\$720.....	1,600	2,456	4,776	\$37	4,450	.....	4,450	604	5,054	500	211	5,265
\$1,000.....	1,460	2,409	4,869	52	4,505	.....	4,505	581	5,086	500	188	5,274
\$2,000.....	960	2,242	5,202	104	4,702	.....	4,702	498	5,200	500	104	5,304
\$3,000.....	460	2,075	5,535	156	4,900	.....	4,900	414	5,314	500	21	5,335
\$4,000.....	.....	1,887	5,887	236	5,651	.....	5,651	326	5,977	.....	.....	5,977
\$5,000.....	.....	1,316	6,316	432	5,884	.....	5,884	219	6,103	.....	.....	6,103
\$6,000.....	.....	758	6,758	648	6,110	.....	6,110	109	6,219	.....	.....	6,219
\$7,000.....	.....	211	7,211	880	6,331	.....	6,331	.....	6,331	.....	.....	6,331
\$8,000.....	.....	.....	8,000	1,092	6,908	.....	6,908	.....	6,908	.....	.....	6,908
\$9,000.....	.....	.....	9,000	1,316	7,684	.....	7,684	.....	7,684	.....	.....	7,684

1041

*Family health insurance plan (FHIP).
 **Less than 40 percent of the poor nationwide currently receive some form of food benefit.

***Medical insurance premium does not represent cash income available to families and should not be counted as part of total family income. See footnotes on p. 1042.

FOOTNOTES FOR PROPOSED BENEFIT TABLES 1-8

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the first 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes. Child care expenses are not included in calculations.

² State supplementary payments are based on current payments levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes. Persons with earnings who are currently on AFDC in California and Georgia would be "grandfathered" to protect them from loss due to the new provisions of sec. 452. These tables, however, assume new recipients, and do not reflect "grandfathering."

³ Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$900 which will be effective January 1971.

⁴ Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. (Brooks County, Ga., will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

⁵ The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of

\$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500, and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed. Contributions are deducted from total net income columns.

⁶ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148 or other HUD estimates. It was assumed that the required unit sizes were 2-bedroom units for 4-person families. The private annual gross rents assumed are as follows:

	2-bedroom
Atlanta, Ga.....	\$1,260
Brooks County, Ga.....	900
Los Angeles, Calif.....	1,800
Newark, N.J.....	1 548

TABLE 9—CURRENT LAW

[Benefits potentially available to 4-person, female-headed recipient families in Atlanta, Ga.]

Earnings	AFDC ,	Total gross money income	Total Federal, State, and social security taxes ²	Net money income	Food bonus ^{*3}	Total net money income and food bonus	Public housing bonus ^{**3}	Total net money, food and housing	Average AFDC medicaid benefit ^{***4}	Total
\$0.....	\$1,596	\$1,596	.....	\$1,596	\$712	\$2,308	\$936	\$3,244	\$330	\$3,574
\$720.....	1,596	2,316	\$35	2,281	712	2,993	864	3,857	330	4,187
\$1,000.....	1,596	2,596	48	2,548	712	3,260	840	4,100	330	4,430
\$2,000.....	1,596	3,596	96	3,500	712	4,212	768	4,980	330	5,310
\$3,000.....	1,174	4,174	144	4,030	712	4,742	646	5,388	330	5,718
\$4,000.....	695	4,695	332	4,363	712	5,075	552	5,627	330	5,957
\$5,000.....	260	5,260	564	4,696	712	5,408	456	5,864	330	6,194
\$6,000.....		6,000	842	5,158	.....	5,158	324	5,482	.....	5,482
\$7,000.....		7,000	1,088	5,912	.....	5,912	132	6,044	.....	6,044
\$8,000.....		8,000	1,350	6,650	.....	6,650	.....	6,650	.....	6,650

1043

*Less than 40 percent of the poor nationwide currently receive some form of food benefits.
 **Only 18 percent of all AFDC families in Atlanta, Ga., live in public housing.

***Medical vendor payments do not represent cash income available to families, and should not be counted as part of total income. Such payments are made on behalf of families with medical needs only.
 See footnotes on p. 1047.

TABLE 10—CURRENT LAW

[Benefits potentially available to 4-person female-headed recipient families in Brooks County, Ga.]

Earnings	AFDC ¹	Total gross money income	Total Federal, State, and social security taxes ²	Net money income	Food bonus ^{3*}	Total net money income and food bonus	Public housing bonus ^{5**}	Total net money, food and housing	Average AFDC medicaid benefit ^{4***}	Total
\$0.....	\$1,596	\$1,596	.....	\$1,596	\$723	\$2,319	\$660	\$2,979	\$330	\$3,309
\$720.....	1,596	2,316	\$35	2,281	723	3,004	552	3,556	330	3,886
\$1,000.....	1,596	2,596	48	2,548	723	3,271	504	3,775	330	4,105
\$2,000.....	1,596	3,596	96	3,500	.....	3,500	312	3,812	330	4,142
\$3,000.....	1,174	4,174	144	4,030	.....	4,030	204	4,234	330	4,564
\$4,000.....	695	4,695	332	4,363	.....	4,363	108	4,471	330	4,801
\$5,000.....	260	5,260	564	4,696	.....	4,696	12	4,708	330	5,038
\$6,000.....	.....	6,000	842	5,158	.....	5,158	(⁶)	5,158	.....	5,158

*Less than 40 percent of the poor nationwide currently receive some from food benefits.

**Note: Only 6 percent of all AFDC families in Quitman, Brooks County live in public housing.

***Medical vendor payments do not represent cash income available to families, and should not be counted as part of total income. Such payments are made on behalf of families with medical needs only.

See footnotes on p. 1047.

TABLE 11.—CURRENT LAW

[Benefits potentially available to 4-person, female-headed recipient families in Los Angeles, Calif.]

Earnings	AFDC ¹	Total gross money income	Total Federal, State, and social security taxes ²	Net money income	Food bonus ^{3*}	Total net money income and food bonus	Public housing bonus ^{5**}	Total net money, food and housing	Average AFDC medicaid benefit ^{4***}	Total
\$0.....	\$2,652	\$2,652	.....	\$2,652	\$552	\$3,204	\$1,104	\$4,308	\$1,080	\$5,388
\$720.....	2,652	3,372	\$35	3,337	408	3,745	1,104	4,895	1,080	5,975
\$1,000.....	2,652	3,652	48	3,604	360	3,964	1,104	5,068	1,080	6,148
\$2,000.....	2,652	4,652	96	4,556	288	4,844	1,020	5,864	1,080	6,944
\$3,000.....	2,652	5,652	144	5,508	288	5,796	828	6,624	1,080	7,704
\$4,000.....	2,448	6,448	332	6,116	288	6,404	684	7,088	1,080	8,168
\$5,000.....	2,005	7,005	556	6,449	288	6,737	588	7,325	1,080	8,405
\$6,000.....	1,598	7,598	816	6,782	288	7,070	^b 468	7,538	1,080	8,618
\$7,000.....	1,165	8,165	1,050	7,115	288	7,403	^b 360	7,763	1,080	8,843
\$8,000.....	759	8,759	1,311	7,448	288	7,736	^b 240	7,976	1,080	9,056
\$9,000.....	326	9,326	1,545	7,781	288	8,069	^b 120	8,189	1,080	9,269
\$10,000.....		10,000	1,796	8,204	.....	8,204	.....	8,204	.....	8,204

1045

*Less than 40 percent of the poor nationwide currently receive some form of food benefits.

**Information on the number of AFDC families in public housing in Los Angeles not available.

***Medical benefit payments do not represent cash income available to families, and should not be counted as part of total income. Such payments are made on behalf of families with medical needs only. (See footnotes on p. 1047.)

TABLE 12.—CURRENT LAW

[Benefits potentially available to 4-person female-headed recipient families in Newark, N.J.]

Earnings	AFDC ¹	Total gross money income	Total Federal, State, and social security taxes ²	Net money income	Food bonus ^{3*}	Total net money income and food bonus	Public housing bonus ^{5**}	Total net money, food and housing	Average AFDC medicaid benefit ^{4***}	Total
\$0.....	\$4,056	\$4,056	.....	\$4,056	\$312	\$4,368	(^b)	\$4,368	\$200	\$4,568
\$720.....	4 056	4,776	\$35	4,741	288	5,029	(^b)	5,029	200	5,229
\$1,000.....	4,056	5,056	48	5,008	288	5,296	(^b)	5,296	200	5,496
\$2,000.....	3,658	5,658	96	5,562	288	5,850	(^b)	5,850	200	6,050
\$3,000.....	3,039	6,039	144	5,895	288	6,183	(^b)	6,183	200	6,383
\$4,000.....	2,560	6,560	332	6,228	288	6,516	(^b)	6,516	200	6,716
\$5,000.....	2,117	7,117	556	6,561	288	6,849	(^b)	6,849	200	7,049
\$6,000.....	1,710	7,710	816	6,894	288	7,182	(^b)	7,182	200	7,382
\$7,000.....	1,269	8,269	1,042	7,227	288	7,515	(^b)	7,515	200	7,715
\$8,000.....	836	8,836	1,276	7,560	288	7,848	(^b)	7,848	200	8,048
\$9,000****.....	367	9,367	1,474	7,893	****288	8,181	(^b)	8,181	****200	8,381
\$10,000.....		10,000	1,685	8,315	.....	8,315	.....	8,315	.....	8,315

*Less than 40 percent of the poor nationwide currently receive some form of food benefits.

**Only 12 percent of all AFDC and AFDC-UF families in Newark, N.J. live in public housing.

***The medicaid value listed is the average AFDC family medical vendor payment. New Jersey began operation of the medicaid program in January 1970, and no benefit data are available yet. Medical vendor payments do not represent cash income available to families, and should not be counted as

part of total income. Such payments are made on behalf of families with medical needs only.

**** Under current practice in Newark, families with earned income exceeding \$5,640 annually after application of the \$30 and 1/3 exemption provision are not eligible for supplementation. This provision was struck down by the courts, so families at \$9,000 would receive supplementation when new rules go into effect.

See footnotes on p. 1047.

FOOTNOTES FOR CURRENT BENEFIT TABLES 9-12

¹ State supplement is based on current State standards and payment levels and State work-related expense allowances. Child care expenses are not included in calculations.

² Federal and State tax based on current schedule, including surcharge. Social security tax based on 4.8 percent of earnings up to \$7,800.

³ Food bonus based on value of surplus commodities (Atlanta, Ga., and Brooks County, Ga.) or food stamp bonus (Newark, N.J., and Los Angeles, Calif.) using local eligibility schedules. Brooks County, Ga. is expected to convert to food stamps in October 1970.

⁴ Medicaid benefit shown is the average benefit for all AFDC families in

State. Individual families may receive more or less depending upon medical needs. State eligibility standards apply.

⁵ Public housing bonus is calculated on the basis of the value of equivalent private market rentals less rent paid. Operation of the Brooke amendment was assumed where appropriate and where it is applied by the local authority. Net income was computed for families in each city based on exemptions and deductions applied by each local authority's adopted policy, as revealed in HUD central files for public housing. No bonus is shown for Newark, since the welfare department pays actual rent paid by recipients. The assistance grant in Newark was calculated on the basis of a constant \$110 rent.

⁶ Above continued occupancy limits, but family may be allowed to stay until other housing is located.

(Excerpt from page 313 of the printed hearings)

Senator Harris. My point yesterday was that we ought not to mislead ourselves or the general public into thinking that we are going to place all of these people in work, because as we discovered yesterday, there is a question about where are the jobs that they could fill.

And secondly, we talked about child care and whether or not it would be available to any other than a rather small percentage of those mothers even presently heading families on AFDC, which obviously would be, I take it, a larger figure under this bill.

I just wonder if you have any comment on that. I don't want to belabor it, but I think it is important that we know just how far we are going insofar as work is concerned.

Secretary Finch. Mr. Chairman, we should have for you by tomorrow, and for the committee, that additional information.

Response

The Department has estimated that approximately 450,000 children will require day care as a result of enactment of the family assistance plan. No estimate has been made of how many of those children will be members of families whose mothers are now receiving AFDC.

(Excerpt from pages 347 and 348 of the printed hearings)

Senator Bennett. I would like to open my questioning by referring to an area that has not been previously discussed, particularly, and that is the impact of medicaid on this overall problem. Can you tell the committee, either now or with information filed for the record, how many people in the area where we are discussing are eligible for medicaid?

Mr. Veneman. Actually, those who might be eligible, Senator, would be persons in those States that do not now have the unemployed-parent program plus those others not working who would become eligible for public assistance. The bill itself does not propose to extend medicaid benefits to the working poor.

As Mr. Patricelli testified a couple of days ago, it is estimated that the additional costs of medicaid extended to the unemployed-parent category in those States that do not have it now would be about \$100 million.

Senator Bennett. Can you give us any idea of the number of people involved?

Secretary Finch. We will have to work that out and provide it for the record.

Senator Bennett. Would you provide it for the record? Also, we would like to find out approximately what proportion of this number each year actually receive medicaid payments.

Mr. Veneman. We can do that. I think we have that.

Secretary Finch. We had better be precise about that, too, Senator.

Senator Bennett. All right. How much does medicaid now cost the Federal and State governments, including the cost of intermediate care under title II? Can you get that information for us?

Secretary Finch. Yes, we will have to get it for you.

Response

We estimate that there would be 310,000 persons newly eligible for medicaid in 1971 as a result of the various provisions of H.R. 16311. This figure includes both new adult categorical recipients and individuals in families receiving State supplemental payments but not now on AFDC. It does not include new cash assistance recipients in States now offering medicaid coverage to the medically indigent.

These new eligibles would not all benefit from medicaid programs in any given year, of course. However, the current rates of participation by program eligibles is not known.

For fiscal year 1971, outlays for title 19 and intermediate care payments are expected to be as follows:

[In billions]

	Federal	State and local
Medicaid.....	\$3.2	\$3.0
Intermediate care facilities.....	.3	.2

The estimate of 310,000 new Medicaid eligibles does not include all new eligibles for maintenance payments primarily because many of these new families are in the 28 States offering Medicaid benefits to the medically indigent—these families do not constitute new Medicaid eligibles since they may now be eligible for such assistance.

Thus, new Medicaid eligibles constitute only a portion of the increase in families eligible for cash assistance.

Clerk's Note: In response to a question by Senator Bennett (page 349), requesting information on the impact of including the working poor under Medicaid the Department submitted the following response:

Families defined as "working poor" are not now eligible for Federally-aided assistance, and thus cannot be considered "categorically needy" for purposes of Medicaid benefits.

Approximately 650,000 additional female-headed families beyond those estimated to be receiving AFDC will be eligible for some combination of FAP and/or State supplement benefits in 1971. Of these families, an estimated 600,000 would not constitute new Medicaid eligibles primarily because many of these families live in 28 States

already providing medical assistance to the "medically needy"—thus, such families may already be eligible for Medicaid benefits:

Thus, only about 50,000 additional female-headed families will be made eligible for Medicaid.

Clerk's Note: In response to a question by Senator Bennett (p. 350), relative to the number of families headed by males and the number headed by females on AFDC, the Department subsequently supplied the following information:

Assuming that recent growth trends in AFDC continue and the percent of families who are male-headed remains at approximately 18 percent, the following is the projected number of AFDC families by sex of family head:

	[In millions]				
	1972	1973	1974	1975	1976
Female-headed families.....	1.9	2.2	2.4	2.7	3.0
Male-headed families.....	.3	.3	.5	.6	.6
Total families.....	2.2	2.5	2.9	3.3	3.6

It is not possible to provide estimated regional and State distribution for 1972 until September 1970 when the basis for making such estimates will become available from the States.

There will be approximately 53 million families in the United States in 1972. The estimated 2.2 million families receiving AFDC that year will constitute slightly over 4 percent of the total.

The estimated average annual income of AFDC families in 1972 is \$3,416. Of this, \$2636 is welfare income and \$780 is received from other sources.

Clerk's Note: In response to a question raised by Senator Talmadge (p. 366) relative to Secretarial discretion, the Department submitted the following information:

**PROPOSED ACTION IN AREAS OF SECRETARIAL
DISCRETION
SUMMARY**

I. Department of Health, Education, and Welfare

Of 21 major areas of secretarial discretion in H.R. 16311, the Department of Health, Education, and Welfare proposes to eliminate discretion in 7 sections, reduce it in 4, and retain it in 10.

Section	Action	Description
1. 436(c).....	Retain.....	The Secretary must retain discretion to set fee schedules for varying qualities of child care, regional cost differences, and other factors. (See detail, p. 61.)
2. 437(a).....	Reduce.....	The reference to secretarial discretion is taken out, but he must retain the flexibility to list needed supportive services by regulation. (See detail, p. 61.)
3. 442(c)(1).....	do.....	The period for redetermination of benefits is clarified and specified, restricting secretarial discretion. (See detail, p. 61.)
4. 442(c)(2)...	Eliminate...	The new language removes discretion completely. (See detail, p. 62.)
5. 442(c)(3)...	Retain.....	There is no way to define in the language of the bill the peculiar wage arrangements or seasonal earnings which must be handled under this section. (See detail, p. 62.)
6. 442(d).....	do.....	There is no equitable way to encompass all trades or businesses within the language of the bill. (See detail, p. 62.)
7. 443(b)(1).....	do.....	Discretion is retained to permit regulations which can adjust limits to accommodate variables such as government subsidies under work-study and Neighborhood Youth Corps. (See detail, p. 63.)
8. 443(b)(2)...	Eliminate...	We recommend striking the references to secretarial discretion as unnecessary. (See detail, p. 63.)
9. 443(b)(3).....	do.....	We recommend removing the area of discretion and cross-referencing to section 436(c). (See detail, p. 64.)
10. 443(b)(5).....	do.....	We recommend defining a charitable agency by cross-reference to IRS code sections 501(c)(3) and (4). (See detail, p. 65.)
11. 444(a)(2)...	Retain.....	We must retain the flexibility to define types of property essential to a family's self-support. (See detail, p. 65.)
12. 444(b).....	do.....	We must retain the flexibility to treat different types of property and differing conditions. (See detail, p. 65.)
13. 445(b).....	Reduce.....	We have eliminated the reference to secretarial discretion but still must define "regularly attending" in regulations. (See detail, p. 66.)

Section	Action	Description
14. 445(d).....	Eliminate...	We have eliminated the reference to secretarial discretion and will be guided by the constitutional implications of <i>Lewis v. Martin</i> and related cases. (See detail, p. 67.)
15. 446(a)(1).....	do.....	We eliminate discretion by specifying when benefits must be paid. (See detail, p. 67.)
16. 446(a)(2)...	Retain.....	We must retain the discretion of the Secretary to deal with the variety of such cases. (See detail, p. 68.)
17. 446(a)(3).....	do.....	We cannot specify in law the details of income ranges. (See detail, p. 68.)
18. 446(b).....	Eliminate...	The major area of discretion has been eliminated by our rewrite. (See detail, p. 68.)
19. 446(e)(1)...	Retain....	Secretarial discretion should be retained to provide flexibility in setting regulations to deal with different kinds of cases. (See detail, p. 69.)
20. 446(e)(2)...	Reduce.....	We have limited the area of discretion by requiring positive secretarial action. (See detail, p. 70.)
21. 1602(a)(6)..	Retain.....	Flexibility is needed here so the Secretary can devise standards in cooperation with the States which construct a national system of establishing and verifying eligibility. (See detail, p. 70.)

II. Department of Labor

In the six major areas of secretarial discretion in H.R. 16311, the Department of Labor proposes to follow policy as set forth below.

Section	Action	Description
1. 447(a).....	Retain.....	Regulatory authority has been retained because the Employment Security Offices are agencies of the State. (See detail, p. 72.)
2. 431(a).....	do.....	The Secretary retains the discretion to set priorities in developing employability plans for registrants. (See detail, p. 72.)
3. 432(a)(2).....	do.....	The Secretary needs discretion to specify the schedules to deal with varying transportation and training costs. (See detail, p. 73.)
4. 432(a)(3)....	Eliminate...	Discretion is removed in this section by tying the allowances to the ratios of sec. 503 of the bill as resubmitted. (See detail, p. 73.)
5. 434.....	Retain.....	This section simply states that the Secretary of Labor may issue regulations to carry out the program. (See detail, p. 74.)
6. 435(a).....	do.....	This discretion is necessary to allow the Secretary to prescribe criteria in order to allocate funds to the States. (See detail, p. 74.)

**PROPOSED ACTION IN AREAS OF SECRETARIAL
DISCRETION**

DISCUSSION

I. Department of Health, Education, and Welfare

(Note: Existing language from H.R. 16311 as passed by the House is provided at the heading of each item. For proposed new language reducing or eliminating discretion, see the proposed amended bill.)

1. Section 436(c).

“The Secretary of Health, Education, and Welfare may provide, in any case in which a family is able to pay for part or all of the cost of child care provided under a project assisted under this Section, for payment by the family of such fees for the care as may be reasonable in the light of such ability.”

We recommend that no change be made in the discretionary authority given to the Secretary to establish fee schedules for child care. These schedules must, of necessity, vary according to the quality of care, regional cost differences and other factors.

2. Section 437(a).

“No payments shall be made to any State under Title V, XVI, or XIX, or Part A or B of this title, with respect to expenditures for any calendar quarter beginning on or after the date Part D becomes effective with respect to such State, unless it has in effect an agreement with the Secretary of Health, Education, and Welfare under which it will provide health, vocational rehabilitation, counseling, social, and other supportive services which the Secretary under regulations determines to be necessary to permit an individual who has been registered pursuant to Part D or is receiving supplementary payments pursuant to Part E to undertake or continue manpower training and employment under this Part.”

The reference to secretarial discretion can be removed as unnecessary, recognizing that substantial regulations will be necessary under this section and the social services provision of the law to spell out the implementation of the services system.

3. Section 442(c)(1).

“. . . Eligibility for and the amount of benefits of a family for any quarter shall be redetermined at such time or times as may

be provided by the Secretary, such redetermination to be effective prospectively."

We recommend that this section be amended to clarify the time period for redetermination of benefits. It is now ambiguous as to whether the redetermination should take place quarterly or monthly.

The amended version provides for universal redetermination at least quarterly, but permits adjustments for essential changes in family composition and income at more frequent intervals.

4. Section 442(c)(2).

"The Secretary shall by regulation prescribe the cases in which and extent to which the amount of a family assistance benefit for any quarter shall be reduced by reason of the time elapsing since the beginning of such quarter and before the date of filing of the application for the benefit."

We recommend that discretion be deleted in this provision and replaced by a requirement that the Secretary pro rate payments from the date of application.

5. Section 442(c)(3).

"The Secretary may, in accordance with regulations, prescribe the cases in which and the extent to which income received in one period (or expenses incurred in one period in earning income) shall, for purposes of determining eligibility for and amount of family assistance benefits, be considered as received (or incurred) in another period or periods."

This provision is concerned chiefly with the distribution of net earnings from self-employment to quarters for the purpose of computing eligibility and benefits. We propose that either income or earnings should be allocated equally to the quarters of the calendar year, fiscal year, or short taxable year involved. This assignment would be consistent with allocations under Title II for both payment and record keeping purposes. Certain peculiar wage arrangements or seasonal earnings would also be handled in this manner.

In view of the practical impossibility of listing in the statute all of the specific occupations which should be treated in this way, we believe the discretion in the present language should be retained.

6. Section 442(d).

"The Secretary may, in accordance with regulations, prescribe the circumstances under which the gross income from a trade or business (including farming) will be considered sufficiently large to make such family ineligible for such benefits."

Under this section the Secretary is authorized to promulgate amounts of gross income derived from types of businesses which will

give rise to a rebuttable presumption that a family is ineligible for benefits.

That is, we believe that certain amounts of gross receipts, depending upon the trade or business, can give rise to a presumption that a family's income makes them ineligible. However, the family would be given an opportunity to establish that, notwithstanding the amount of gross receipts, bona fide business expenditures or other conditions resulted in a true net income in an amount permitting eligibility for benefits. For example, extraordinary expenses incurred by a livestock farmer because of drought, flooding or excessive winters; by a retail tradesman because of robbery, fire, etc.

7. Section 443(b).

"In determining the income of a family there shall be excluded—(1) subject to limitations (as to amount or otherwise) prescribed by the Secretary, the earned income of each child in the family who is, as determined by the Secretary under regulations, a student regularly attending a school, college or university, or a course of vocational or technical training designed to prepare him for gainful employment."

We propose to retain this language and set dollar limitations by regulation. Flexibility is necessary to permit variations according to whether or not a student is receiving some form of government subsidized wages under programs such as work-study, or the Neighborhood Youth Corps. It seems unwise in such cases to take away, through the Family Assistance system, what the Government is providing through subsidized employment. In any case, we would expect that exempt earnings would include at least that much income needed to provide for tuition and fees.

8. Section 443(b)(2).

"In determining the income of a family there shall be excluded . . . (2) (A) the total unearned income of all members of a family in a calendar quarter, which, as determined in accordance with criteria prescribed by the Secretary, is received too infrequently or irregularly to be included, if such income so received does not exceed \$30 in such quarter, and (B) the total earned income of all members if a family in a calendar quarter which, as determined in accordance with such criteria, is received too infrequently or irregularly to be included, if such income so received does not exceed \$30 in such quarter;"

We recommend that this section be amended by deleting the clauses which mention criteria prescribed by the Secretary.

The principal matter for secretarial discretion was removed from this section by the Ways and Means Committee, which fixed the dollar amount to be disregarded at \$30 per quarter for earned and unearned

income. Consequently, the Secretary is now left to define guidelines for administrative decisions on what earned and unearned income, up to the 30 dollar limits, is "infrequently or irregularly received."

We propose to develop criteria for irregularity and infrequency which will apply to unearned income and to earned income. The criteria will involve considerations of the amount, source and expected duration of the income.

If the total quarterly income of the family, including earned and unearned income, is \$30 or less, we propose a presumption that the income is received infrequently and irregularly.

If the total quarterly income of the family exceeds \$30, amounts of earned and unearned income of less than \$30 received from any one source or activity will be excluded if there was no reasonable expectation that the income would be received in the quarter, and there is no reasonable certainty that the income will be received from the same source or activity in each succeeding quarter.

For example, if a person outside the family gives a child \$5 or \$10 every month, the income is regularly and frequently received and will be counted as part of the family income. On the other hand, if such a person gives \$5 or \$10 (or more, not exceeding \$30 for a quarter) to a child for birthdays and holidays once or twice a year, the income would be excluded as infrequently and irregularly received.

Also a beneficiary who works each weekend and earns a relatively stable amount of income (\$25-30 per quarter) may be found to have a regular income from this activity even though the sources may differ each quarter.

9. Section 443(b).

"In determining the income of a family there shall be excluded . . . (3) an amount of earned income of a member of the family equal to all, or such part (and according to such schedule) as the Secretary may prescribe, of the cost incurred by such member for child care which the Secretary deems necessary to securing or continuing in manpower training, vocational rehabilitation, employment or self-employment;"

We would amend this by taking out the reference to secretarial discretion and inserting after the last word "except that such amount may not exceed the cost, established in connection with section 436(c), of comparable child care." It seems reasonable to limit the amount of excludable income which an individual may apply toward day care under this section to the cost to the Government of comparable care it provides directly under section 436. In this manner, comparable quality ceilings could be applied, and unlimited deductibility is prevented.

10. Section 443(b)(5).

“In determining the income of a family there shall be excluded . . . (5) food stamps or any other assistance (except veterans’ pensions) which is based on need and furnished by any State or political subdivision of a State or any Federal agency, or by any private charitable agency or organization.”

We would suggest changing the language to define “charitable agency or organization” as an organization which is exempt from income tax under section 501(c) (3) and (4) of the Internal Revenue Code.

11. Section 444(a)(2).

“In determining the resources of a family there shall be excluded . . . (2) other property which, as determined in accordance with and subject to limitations in regulations of the Secretary, is so essential to the family’s means of self-support as to warrant its exclusion.”

We propose that the regulations would differentiate between two major types of property, (1) automobiles, tools, equipment and machines, and (2) other business assets.

We would propose that initially the value of an automobile used for employment purposes, a mechanic’s tools, a farmer’s machinery, etc., be excluded in determining the resources of the family as essential means of self-support. As experience dictates, dollar limits could be established if an unlimited exclusion stimulates abuse.

We would propose that the value of business and other assets, up to a limit of \$25,000 or such other figure as national data on small businesses would suggest, would be excluded in determining the resources of a family if they are necessary for conducting a trade or business, and are in such actual use.

This proposed limit would be intentionally set high to avoid disincentives for individuals to start businesses and lift themselves out of poverty. Although this limit would not affect small businesses, particularly service businesses, the income from these businesses would come under the test of gross income from the business (Section 442 (d)) to limit eligibility for Family Assistance payments.

Saleable real estate, and tools, equipment, or business assets not used for income producing purposes would be included as family assets.

12. Section 444(b).

“The Secretary shall prescribe regulations applicable to the period or periods of time within which, and the manner in which, various kinds of property must be disposed of in order not to be included in determining the family’s eligibility for family assistance benefits. Any portion of the family’s benefits paid for any

such period shall be conditioned on such disposal; and any benefits so paid shall (at the time of the disposal) be considered overpayments to the extent they would not have been paid had the disposal occurred at the beginning of the period for which such benefits were paid."

We propose that the regulations provide a schedule of time periods for disposal of various types of property which would take into account the usual length of time required to dispose of the particular type of property.

The schedule of time periods would serve primarily as a guide, and would not be absolutely controlling. An important factor would be whether the family made every reasonable effort to dispose of the property. For example, the regulation might provide that, where a recipient regularly advertised a piece of property for sale throughout the time period established for disposal of such property and received no offers during the period, the Secretary could continue payments even after the time period had elapsed.

13. Section 445(b).

"For purposes of this part and parts C and E, the term 'child' means an individual who is (1) under the age of eighteen, or (2) under the age of twenty-one and (as determined by the Secretary under regulations) a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment."

We propose to eliminate the explicit reference to secretarial discretion, but "regularly attending" will still have to be defined by regulation. An attempt to be more specific in the law would inevitably create hardship situations and possibly introduce disincentives for educational advancement.

It will also be necessary to provide by regulation that regular attendance will be deemed to continue for a reasonable period between semesters or sessions of the school provided the beneficiary-student intends to continue regular attendance at the next regular session of the school.

We propose to develop criteria which rely principally on the rules and practices of the educational institutions involved to determine regular attendance at their courses of instruction. If the institution or school indicates that the student is in regular attendance, in accordance with its standards, that will be sufficient to maintain Family Assistance eligibility. This will maintain the maximum incentive for beneficiaries to improve their employment potential by part-time school attendance.

The same criteria for regular attendance would be applied under Section 443(b)(1) to determine income exclusions.

14. Section 445(d).

“For purposes of determining eligibility for and the amount of family assistance benefits for any family there shall be excluded the income and resources of any individual, other than a parent of a child (or a spouse of a parent), which, as determined in accordance with criteria prescribed by the Secretary, is not available to other members of the family.”

We recommend deletion of the clause “as determined in accordance with criteria prescribed by the Secretary.”

The regulations implementing this provision would provide that the criteria for determining whether the income and resources of an adult are not available to the family would be based upon actual availability, demonstrated by fact. This would be in conformance with the current regulation (45 CFR 203.1) as affirmed in *Lewis v. Martin*, decided April 20, 1970.

Some suggested guidelines for determining the reasonableness of the allegations of nonavailability are: (1) the relationship of the adult to the family or any member thereof; (2) the history of such person's disposition or the use of his income; (3) the amount of income and amount and type of resources in question. Based upon replies to such queries it could be determined whether allegations of “nonavailability” were reasonable and, therefore, acceptable without investigation.

15. Section 446(a)(1).

“Family assistance benefits shall be paid at such time or times and in such installments as the Secretary determines will best effectuate the purpose of this title.”

We recommend that the language of the section be amended to read as follows:

“Family assistance benefits shall be paid not less frequently than monthly, except that such benefits may be paid quarterly in any case in which the Secretary determines that the amount of such benefits for a quarter will not exceed \$30.”

This will make clear the intent to make regular monthly payments to family assistance beneficiaries.

Payments of small accounts could be made regularly on a monthly basis. There is a greater possibility for the Family Assistance payments to have an incentive affect and a meaningful impact on the family budget, however, if smaller amounts are combined in a quarterly check. No systems problems are anticipated in arranging these combined payments.

16. Section 446(a)(2).

“Payment of the family assistance benefit of any family may be made to any one or more members of the family, or, if the Secretary deems it appropriate, to any person, other than a member of such family, who is interested in or concerned with the welfare of the family.”

The substance of this section also appears in sections 447(a), 448(a) and 1610. Similar authority to select an individual to receive payment of Social Security monthly benefits on behalf of an applicant is contained in Section 205(j).

We propose to interpret this uniformly for all sections as authority to make payment to a family member who is not the parent, or to a nonfamily member who would be an appropriate payee because he has shown an interest in or concern with the welfare of the family members. Because the paramount consideration is for the welfare of the children in the family unit and because the decision must be made on the facts of each case, guidelines rather than rules on selection will be issued by regulation. The determination of the appropriate payee will necessarily be made by the local Federal Assistance office in consultation with a service worker.

Guidelines will indicate the generally accepted preferred order for making payment to a resident adult family member; a resident adult nonfamily member; a non-resident family member; etc. Reasons for nonselection will be specified, including incapacity, desertion, or violation of specific statutory prohibitions for failure to register for manpower services (see 447(a)). Guidelines will also be developed on payment to responsible, mature minors.

17. Section 446(a)(3).

“The Secretary may by regulation establish ranges of incomes within which a single amount of family assistance benefit shall apply.”

We believe that the Secretary should retain the discretion to establish such ranges of income in order to allow for administrative simplicity. This is done, for example, in the veteran's compensation benefit program. This language also permits rounding of benefits to the nearest dollar.

18. Section 446(b).

“Whenever the Secretary finds that more or less than the correct amount of family assistance benefits has been paid with respect to any family, proper adjustment or recovery shall, subject to the succeeding provisions of this subsection, be made by appropriate adjustments in future payments to the family or by recovery from or payment to any one or more of the indi-

viduals who are or were members thereof. The Secretary shall make such provisions as he finds appropriate in the case of payment of more than the correct amount of benefits with respect to a family with a view to avoiding penalizing members of the family who were without fault in connection with the overpayment, if adjustment or recovery on account of such overpayment in such case would defeat the purposes of this part, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration of this part."

We recommend that the statute be changed to remove as unnecessary the reference to secretarial discretion. Specifically, we would propose eliminating the second sentence above and inserting at the end of the first sentence: " , unless such adjustment or recovery (in the case of an overpayment) would defeat the purposes of this part, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration of this part."

Regulations under this section would be patterned after the Title II waiver regulations (Section 404.506 ff, Regulations No. 4). "Without fault," "defeat the purposes," and "against equity and good conscience" will have to be defined.

In deciding whether recovery of any overpayment would "impede efficient or effective administration," consideration would be given to such factors as the amount of the overpayment, the cost of the recovery process and the effect that recovery might have on encouraging prompt and correct reports.

19. Section 446(e)(1).

"The Secretary shall prescribe regulations applicable to families or members thereof with respect to the filing of applications, the furnishing of other data and material, and the reporting of events and changes in circumstances, as may be necessary to determine eligibility for and amount of family assistance benefits."

This discretionary provision should be retained. The regulations would provide that there would be a requirement for an application on a prescribed form, but a written statement (letter, etc.) could establish a filing date which would determine the date for beginning payments.

An application filed with or a writing addressed to a State welfare office, in a State administering Part E benefits, should also establish a filing date for Part D benefits.

With respect to the furnishing of information and reporting events, we would expect to utilize some form of a "declarative" or "simpli-

fied" system of claims. However, as to evidence required for eligibility or validation purposes, much of the format and content of Subpart H of Regulation No. 4 (20 CFR) would be utilized. Prompt reporting of any change in income, family membership, etc., would be required (and based upon such reports, prompt redeterminations made).

20. Section 446(e)(2).

"In order to encourage prompt reporting of events and changes in circumstances relevant to eligibility for or amount of family assistance benefits, and more accurate estimates of expected income or expenses by members of families for purposes of such eligibility and amount of benefits, the Secretary may prescribe the cases in which and the extent to which (a) failure to so report or delay in so reporting, or (b) inaccuracy of information which is furnished by the members and on which the estimates of income or expenses for such purposes are based, will result in treatment as overpayments of all or any portion of payments of such benefits for the period involved."

The language of this section would be improved if the word "shall" replaced "may" so that positive secretarial action is required, and our amendments make that change.

We would propose specifically to prescribe by regulation which reports will be required, such as quarterly estimates of earnings, post entitlement reports of earnings, reports on changes in family composition, etc., and the time limits within which each report should be made.

We would want to study the reporting and overpayment recovery experience to assess the impact of withholding from current benefits for overpayments before establishing specific types of penalty as a deterrent to improper reporting.

21. Section 1602 (a)(6).

"A State plan for aid to the aged, blind, and disabled must . . . (6) provide for the use of a simplified statement, conforming to standards prescribed by the Secretary, to establish eligibility, and for adequate and effective methods of verification of eligibility of applicants and recipients through the use, in accordance with regulations prescribed by the Secretary, of sampling and other scientific techniques."

One of the chief objectives of the secretarial prescription of the method specified above is that it allows for flexibility in changing such administrative devices as may be dictated by evaluation and experience.

The issuance of methods of administration through regulations gives the States the opportunity to react to and to participate in the development of national standards. When methods are prescribed by

law, unless they are set forth in general terms, they do not provide for the flexibility often needed for efficient administration.

In existing programs operating under Title XVI, States have been free, until recently, to establish their own methods. This in itself, has resulted in wide variations and in inequities in the administration of the public welfare programs. On May 28, 1970, the Department did promulgate a regulation, arrived at after over many months of experimentation at the State level, requiring the gradual extension of the use of a simplified form or declaration for eligibility for assistance under the adult categories and requiring statewide implementation in the adult categories no later than January 1, 1971.

Methods of verification likewise need to be adapted to experience. Ordinarily in the relationship between the individual and governmental agencies, the individual himself is in the best position to supply the information or documentation needed to establish specific facts. Current policies provide for further investigation whenever the need is indicated and also for detailed investigations of a scientifically selected sample of all applicants and recipients.

Provision for a Federal method for monitoring, by sampling and other scientific techniques, is necessary. However, experience in the present programs has shown the need for the freedom to adapt such methods proscribed by the Secretary to meet the needs of the different States. The objective is to achieve reliability, with a view toward economy in the sampling design.

II. Department of Labor

1. Section 447(a).

“Every individual who is a member of a family which is found to be eligible for family assistance benefits, other than a member to whom the Secretary finds paragraph (1), (2), (3), (4), or (5) of subsection (b) applies, shall register for manpower services, training, and employment with the local public employment office of the State as provided by regulations of the Secretary of Labor.”

Section 447(a) provides that every member of a family (with specified exceptions) shall register with the local State Employment Service Agency “as provided by regulations of the Secretary of Labor.” These regulations would provide for the details of the registration process: the information to be secured, the arrangement for registration for persons living far from an employment service office, and similar administrative details.

Regulatory authority has been included because the Employment Security offices are agencies of the State. While this is a Federal program, regulatory authority for the Secretary of Labor is desirable to assure uniformity of administration.

2. Section 431(a).

“The Secretary of Labor shall, for each person registered pursuant to Part D, in accordance with priorities prescribed by him, develop or assure the development of an employability plan describing the manpower services, training, and employment which the Secretary of Labor determines each person needs in order to enable him to become self-supporting and secure and retain employment and opportunities for advancement.”

Section 431(a) provides that the Secretary of Labor shall develop employability plans for persons registered with the State Employment Security agencies “in accordance with priorities prescribed by him.”

It is estimated that almost three million people will be required to register. The development of an employability plan is a time-consuming process, but one which experience has shown to be essential in moving disadvantaged persons into productive employment. It is obviously impossible to develop employability plans immediately for all registrants, and that is why the bill provides that priorities shall be established by the Secretary of Labor. Without such priorities, re-

sources would be wasted and effective administration would be impossible. The priorities themselves will vary with changes in labor market conditions, the composition of the caseload, and different geographic areas, so flexibility is needed.

In lieu of leaving the determination of priorities to the discretion of the Secretary, it would be possible to provide legislative direction in the setting of priorities. The Committee may wish to consider language along the following lines to add at the end of subsection 431(a):

"In determining these priorities, the Secretary shall consider the following criteria:

The extent of impediments to employment resulting from the individual's family status;

The individual's capacity for achieving self-support on the basis of his education, employment history, or other factors indicating that his employability potential can be improved;

The individual's need for additional training in relation to the availability of jobs in the local labor market; and

The current employment status of the individual.

These criteria shall be applied to effect the most rapid transition of persons to self-support and the most expeditious reduction of family assistance and State supplement payments under this Act."

3. Section 432(a)(2).

"The Secretary of Labor shall, in accordance with regulations, also pay, to any member of a family participating in manpower training under this part, allowances for transportation and other costs to him which are necessary to and directly related to his participation in training."

Section 432(a)(2) provides for the payment of allowances for transportation and other necessary training costs "in accordance with regulations." These regulations would specify the form of claims and the documentation needed to support them; and they would permit payment in accordance with a schedule rather than an exact reimbursement of expenses.

4. Section 432(a)(3).

"The Secretary of Labor shall by regulation provide for such smaller allowances under this subsection as he deems appropriate for individuals in Puerto Rico, the Virgin Islands, and Guam."

Section 432(a)(3) provides that any trainees in Puerto Rico, the Virgin Islands, and Guam shall receive "such smaller allowances" as "the Secretary of Labor shall by regulation provide." We have proposed an amendment which would apply the ratio prescribed in section 503 of the bill as resubmitted to reduce the allowances in these territories in the same manner in which other benefit payments are reduced.

5. Section 434.

“The Secretary of Labor may issue such rules and regulations as he finds necessary to carry out his responsibilities.”

This regulatory authority is not a delegation of discretion to the Secretary, but is merely a mechanism for providing for the orderly administration of manpower services, training and employment programs under the bill. No quasi-legislative powers were intended by this language, but if the committee believes that it would be subject to misinterpretation, it can be deleted.

6. Section 435(a).

“. . . The Secretary of Labor shall establish criteria to achieve an equitable apportionment among the States of Federal expenditures for carrying out the programs authorized by section 431. In developing these criteria the Secretary of Labor shall consider the number of registrations under section 447 and other relevant factors.”

Section 435(a) provides that the Secretary shall prescribe criteria to achieve an equitable apportionment of funds amongst the States and shall consider, in developing these criteria, the number of registrants and “other relevant factors.” Some of the other factors which might be considered are the level of State incentive allowance payments; the percentage of working poor in the State, as compared with other registrants; and the ability of the State to move forward with the program.

PROPOSED DISPOSITION OF CERTAIN AREAS OF SECRETARIAL DISPOSITION

447(c), 452(a), 452(b), 1602(a)(7), 1602(a)(11), 1602(a)(12), 1602(a)(16), 1602(b)(4), 1602(b)(5), 1603(a)(1), 1604(2), 404(16)

1. *Section 447(c) of the proposed revised title IV (FAP).*—(c) The Secretary shall make provision for the furnishing of child-care services in such cases and for so long as he deems appropriate in the case of (1) individuals registered pursuant to subsection (a) who are, pursuant to such registration, participating in manpower services, training or employment, and (2) individuals referred pursuant to subsection (d) who are, pursuant to such referral, participating in vocational rehabilitation.

The Secretary is granted discretion to provide child-care services for individuals engaged in training, employment, or vocational rehabilitation “if, and for so long as he deems appropriate.”

The intent is that such services shall be made available in cases where they are necessary for the individual in question to undertake training, employment, or vocational rehabilitation. General guidelines for determining “appropriateness” to this end will be promulgated. The Secretary would not generally be obliged to furnish day-care services for a family in which, for example, there are no children under six, all children are mentally and physically well, and a responsible aged relative or other competent individual is in the home and has not been referred to the employment service or vocational rehabilitation agency. The Secretary would find responsibility incumbent upon him to provide child-care services to a family in which the only children are age seven and eight, and the mothers’ training, employment, or rehabilitation program prevents her from being home after school hours or in the evening. The unavailability of such services would probably constitute “good cause” for such a mother’s failure to undertake the training, employment, or rehabilitation prescribed.

2. *Section 452 (a) of the proposed revised title IV.*—The DHEW is developing a revised proposal with regard to determining the minimum allowable level of State supplementation. The intent of the proposed provision will be to preclude any reduction in payment levels for present recipients and to provide for the future a single minimum State payment level (possibly with local variations for shelter costs). To the extent possible, the method of establishing this level in a way that will be as equitable as possible both for the States and for future recipients, would be set forth in the law.

3. *Section 452(b) of the proposed new title IV.*—The provisions of, and the rules and regulations under, sections 442 (a)(2)(c), and (d), 443(a), 444, 445, 446 (to the extent the Secretary deems appropriate), 447, and 448 shall be applied.

The Secretary is provided discretion with regard to the extent to which the provisions of section 446, which relates to administrative procedures under FAP, will necessarily be made applicable to the supplementary plans. This discretion is necessary inasmuch as, in the case of State administration, administrative practices and procedures of the State might be equally as effective as those under section 446 and

continued use of them might prove to be in the interest of administrative efficiency.

4. *Sections 1602(a)(7) and 1602(a)(16) of proposed new title XVI.*—(a) A State plan for aid to the aged, blind, and disabled must * * * (7) provide that (except to the extent permitted by the Secretary with respect to services) the State plan shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them * * * ((16) assure that, in administering the State plan and providing services thereunder, the State will observe priorities established by the Secretary and comply with such performance standards as the Secretary may, from time to time, establish).

The DHEW's June 1970 recommendation for the deletion of material in the proposed title XVI as shown above conforms with the proposed addition of a new title XX, Individual and Family Services to H.R. 16311. Under title XX, there is no "statewideness" requirement. Thus, there is no specific delegation of authority to make exceptions to a "statewideness" requirement in the case of services. The intent here is to allow for the development of service programs that are responsive to community needs and to avoid the complications that arise if such a service program must be uniform throughout a State.

With regard to observance of priorities and standards established by the secretary, the proposed new title XX sets forth (in section 2002(1) those services that must be included and specifies (in section 2005(a)(2)) that priority be given to the employment of people registered with the employment service under the FAP program (section 447). Title XX would also make ample provision for the evaluation of service programs.

5. *Section 1602(a)(11) of proposed new title XVI.*—(a) State plan for aid to the aged, blind, and disabled must * * * (11) provide for periodic evaluation of the operations of the State plan, not less often than annually, in accordance with standards prescribed by the Secretary, and the furnishing of annual reports of such evaluations to the Secretary together with any necessary modifications of the State plan resulting from such evaluations.

This provision clarifies and strengthens the Secretary's authority with regard to monitoring State plans for the aged, blind, and disabled by making explicit provision for the evaluation of such State plans. The standards for such evaluation would be designed to produce the most useful and effective evaluation that can be made, with a view to enforcing the intent of the legislation as vigorously, equitably, and faithfully as possible.

6. *Section 1602(a)(12) of proposed new title XVI.*—(a) A State plan for aid to the aged, blind, and disabled must * * * (12) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports.

This provision restates authority vested in the Secretary under section 1602(a)(6) of present law with regard periodic reports on the operation of State plans for aid to the aged, blind, and disabled.

7. *Section 1602(b)(4) of proposed new title XVI.*—The Secretary

* * * shall not approve any plan which imposes, as a condition of eligibility for aid under the plan * * * (4) any disability or age requirement which excludes any persons under a severe disability, as determined in accordance with criteria prescribed by the Secretary, who are 18 years of age or older.

Under existing law, eligibility due to disability is limited to those who are permanently disabled. The revision of H.R. 16311 specifies provision of aid to those who are "severely" disabled. It also specifies that whether an individual is blind or severely disabled would be determined in accordance with criteria prescribed by the Secretary. Present law does not set forth federally prescribed criteria for determining whether an individual is blind or totally disabled.

The Department of Health, Education, and Welfare expects that "severely disabled" will be interpreted to mean persons with physical or mental conditions which substantially preclude them from engaging in gainful employment or self-employment. The Department also expects that "severe" disability will be interpreted as one that has lasted or can be expected to last for a substantial period, say 12 months, or result in death. This definition would follow closely the definition now used for disability insurance benefits under title II.

8. *Section 1602(b)(5) of proposed new title XVI.*—The Secretary * * * shall not approve any plan which imposes, as a condition of eligibility for aid under the plan * * * (5) any blindness or age requirement which excludes any persons who are blind as determined in accordance with criteria prescribed by the Secretary.

All but two States use essentially the same definition of blindness insofar as central visual acuity is concerned, less than 20/200 in the better eye with maximum correction. We believe that this definition should be made uniform and national.

9. *Section 1603(a)(1) of proposed new title XVI.*—(1) The State agency shall not consider as resources (A) the home, automobile, household goods, and personal effects of the individual, (B) other personal or real property, the total value of which does not exceed \$1,500, or (C) other property which, as determined in accordance with and subject to limitations in regulations of the Secretary, is so essential to the family's means of self-support as to warrant its exclusion * * *.

The Secretary is here given discretion to exclude from the resource test for adults property which he deems essential to the family's means of self-support. This discretion is similar to that provided under the proposed new section 444(a)(2) with respect to the family assistance plan and it is expected that regulations under the title XVI program would be generally similar to those under title IV (FAP). Specifically, we propose that the regulations would differentiate between two major types of property: (1) automobiles, tools, equipment, and machines, and (2) other business assets.

We would propose that initially the value of a mechanic's tools, a farmer's machinery, etc., be excluded in determining the resources of the family as essential means of self-support. As experience dictates, dollar limits could be established if an unlimited exclusion stimulates abuse.

We would propose that the value of business and other assets, up to a limit of \$25,000 or such other figure as national data on small busi-

nesses would suggest, would be excluded in determining the resources of a family if they are necessary for conducting a trade or business, and are in such actual use. This proposed limit would be intentionally set high to avoid disincentives for individuals to start businesses and lift themselves out of poverty.

Salable real estate, and tools, equipment, or business assets not used for income-producing purposes would be included as family assets subject to the \$1,500 limitation.

10. *Section 1604(2) of proposed new title XVI.*—The Secretary shall pay to each State under this title, for each calendar quarter, an amount equal to * * * (2) 25 percent of the amount by which such expenditures exceed the maximum which may be counted under paragraph (1), not counting so much of any expenditures with respect to such month as exceeds the product of the amount which, as determined by the Secretary, is the maximum permissible level of assistance per person in which the Federal Government will participate financially, multiplied by the total number of recipients of such aid for such month.

This discretionary authority allows the Secretary to set a maximum permissible level to which he will match State expenditures for adult category recipients at a 25-percent rate. The maximum permissible level which the Secretary would set would in all cases be above the highest current average payment levels and might well be above present State standards. The discretionary authority is included only as protection to close the end on Federal responsibility for 25 percent matching and to do so in a way that will avoid penalizing any State.

11. *Section 104(16) of H.R. 16311.*—Title XIX of the Social Security Act is amended * * * (16) by repealing section 1903(c). Section 1903(c) of the Social Security Act relates to matching in the medical assistance program based on matching for medical payments under the categorical assistance programs and present law precludes Federal financial participation in medical assistance provided under titles other than XIX, beginning January 1, 1970.

Also, the bill provides new Federal matching provisions for cash assistance. This provision which relates title XIX matching to matching under the categorical programs is, therefore, repealed.

APPENDIX B

**(Material Related to Administration Revision of H.R. 16311—
Prepared by the Staff of the Committee on Finance)**

(1071)

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CHART 1
WELFARE RECIPIENTS UNDER PRESENT LAW AND H. R. 16311

In January 1970, about 10 million persons received Federally shared cash assistance payments. More than 7 million of these persons were in families with dependent children, while the rest were aged, blind or disabled.

The Department of Health, Education and Welfare estimates that under H. R. 16311 in 1971, 24 million persons would receive welfare (the bill would not actually be effective until fiscal year 1972). About 21 million of these persons would be in families with children; the remainder would be aged, blind and disabled persons. Most of the persons newly eligible for family assistance benefits would be in families headed by a working father.

Under the Administration revision, the Department also estimates that 24 million persons would receive welfare payments. While a number of persons would be cut off the rolls under the Administration revision, others would be eligible for the first time under a new provision in the Administration revision requiring that an amount equal to Federal income tax payments be disregarded in calculating welfare eligibility.

Welfare Recipients Under Present Law and H.R.16311

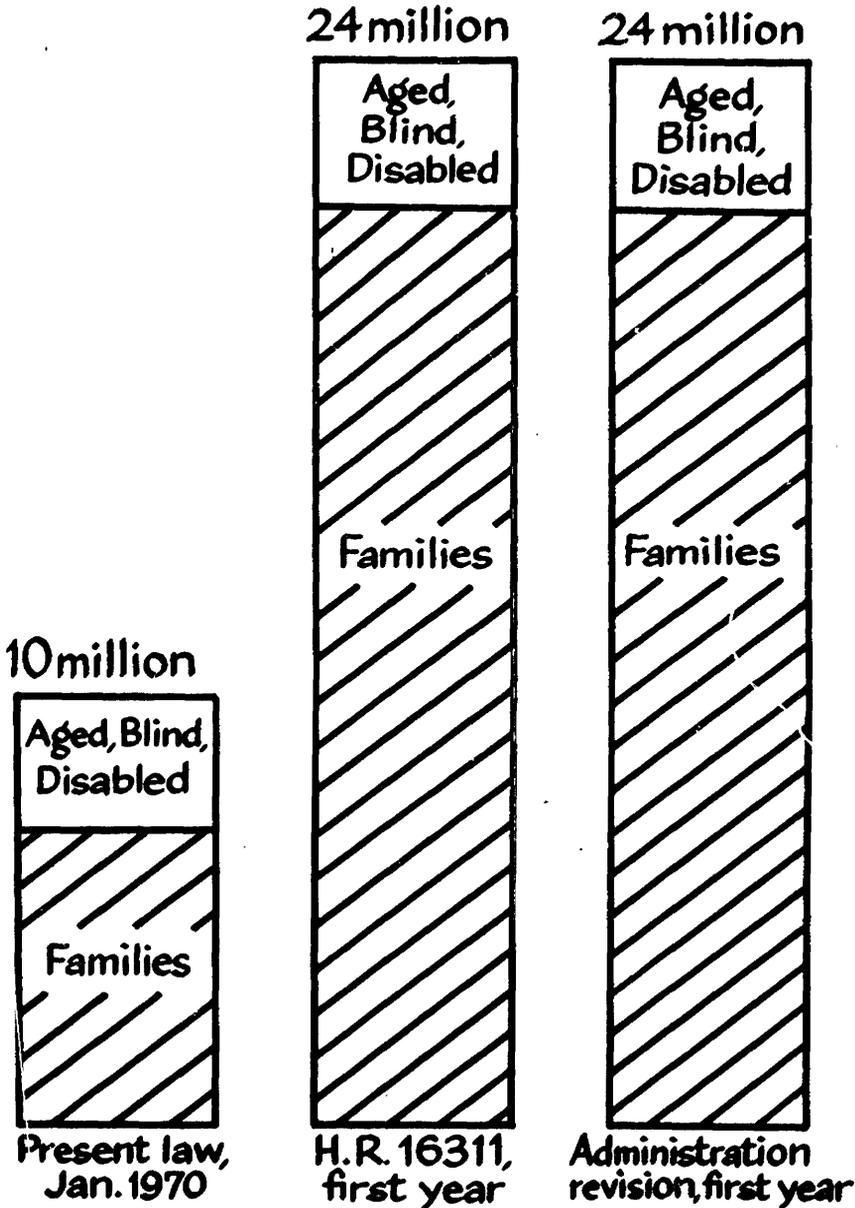
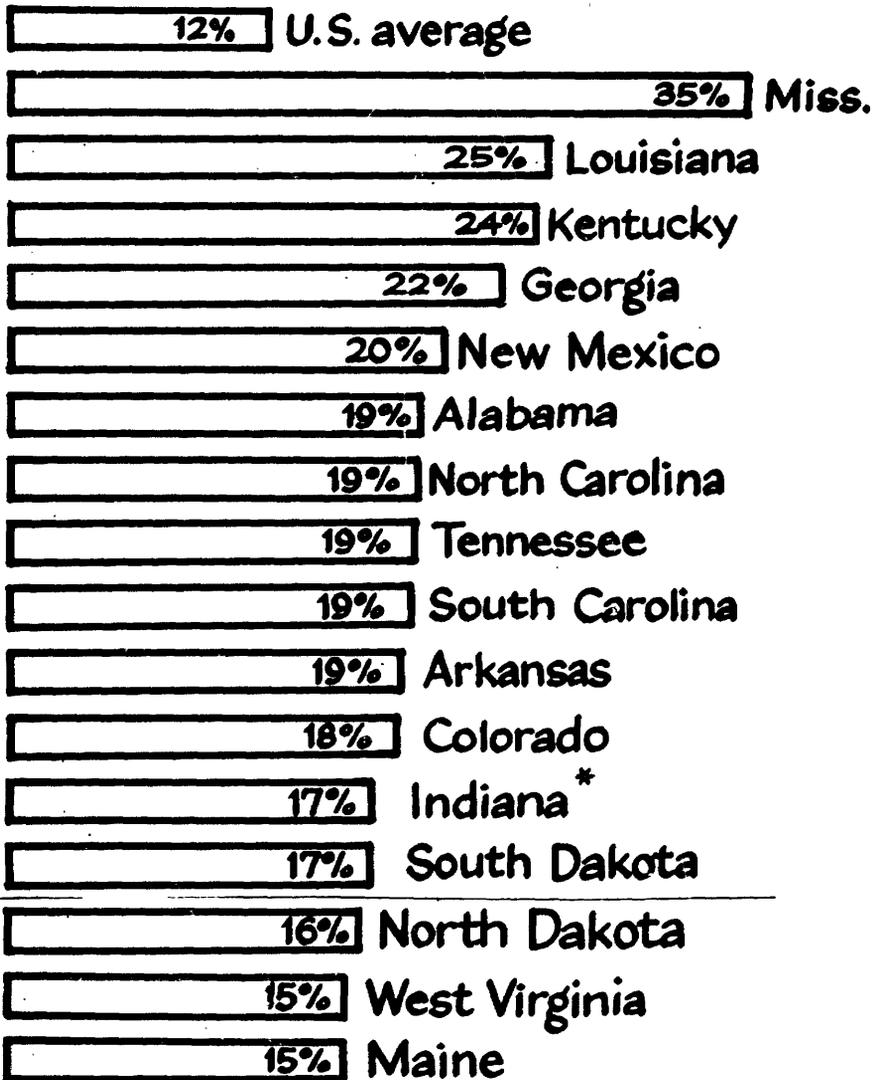


CHART 2

**IN 16 STATES, MORE THAN 15% OF THE
POPULATION WILL BE ON WELFARE UNDER
THE ADMINISTRATION REVISION**

In January of 1970, more than 10 million persons were receiving cash public assistance under Federally-aided welfare programs. This represents 5 percent of the total United States population of 204 million persons. The Administration revision will more than double the welfare rolls, bringing the number of recipients to 24 million, or 12 percent of the population. For the most part, the increase in the number of persons on welfare results from the extension of assistance to families where the father is employed. On a State-by-State basis the percentage of the population on welfare will range from 5 percent in Utah to 35 percent in Mississippi. As shown on this chart, there will be 16 States in which 15 percent of the population or more are on welfare. Table 1 in the appendix shows the proportion of the population on welfare by State.

In 16 States, more than 15% of the population will be on welfare under the Administration revision

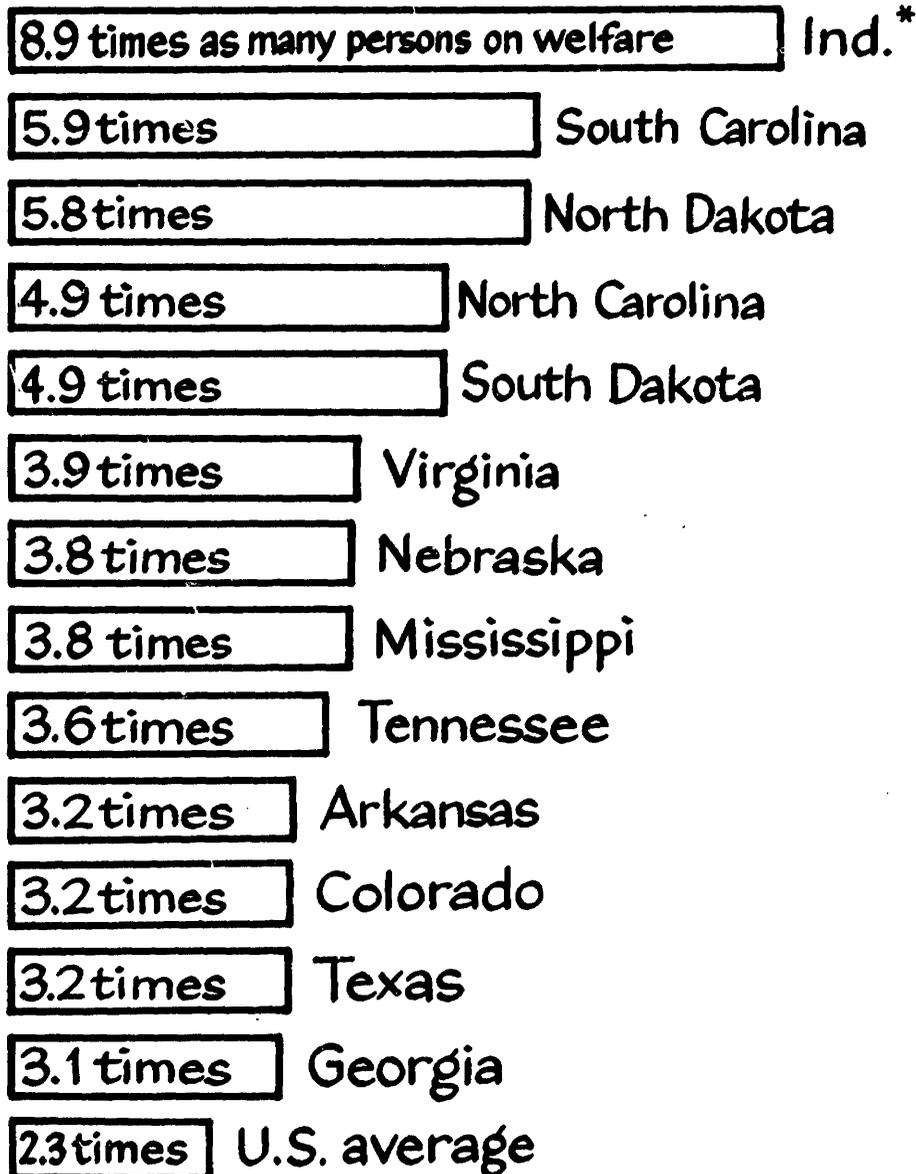


*NOTE: The Department of Health, Education, and Welfare subsequently revised its estimate of the number of persons on welfare in Indiana under the Administration revision; under the new estimate, 8% of the Indiana population would be on welfare.

CHART 3
IN 13 STATES, THE WELFARE ROLLS
WILL BE MORE THAN TRIPLED UNDER
THE ADMINISTRATION REVISION

Primarily because of the addition of the working poor to the welfare rolls, the number of persons receiving cash assistance under Federally-aided programs in the United States as a whole would be 2.3 times as great. This represents an increase from 10 million recipients in January 1970 to 24 million under the Administration revision. This chart shows the extent to which the welfare rolls will be enlarged in those 13 States in which the number of recipients will be at least tripled. Altogether, the increase in the number of recipients over January 1970 will range from a 24 percent increase in Pennsylvania to a 790 percent increase in Indiana. Table 2 in the appendix shows the increase in the welfare rolls by State.

In 13 States, the welfare rolls
will be more than tripled under
the Administration revision



*NOTE: The Department of Health, Education, and Welfare subsequently revised its estimate of the number of persons on welfare in Indiana under the Administration revision; under the new estimate, the welfare rolls would be increased 3.2 times.

CHART 4
FAMILY ASSISTANCE PLAN

The Administration revision would make two changes with regard to payments to families under the Family Assistance Plan. Under H. R. 16311, a family's payment would be reduced by \$300, in cases where a family member refused to register for employment or participate in work or training. Under the Administration revision, the family's payment would be reduced by \$500. In addition, it would require that the amount of income paid by a family as Federal personal income tax be disregarded in determining eligibility for, and the amount of, welfare assistance.

The bill would retain the basic provisions of H. R. 16311 in regard to a basic benefit level of \$500 a year for each of the first two members of a family, and \$300 for each additional member. As in H. R. 16311, a family of four with no other income would be eligible to receive \$1600 a year, all of which would be paid from Federal funds.

The Administration revision would retain the requirement of H. R. 16311 that all heads of households, with certain exceptions, register for work or training as a condition of receiving assistance.

As under H. R. 16311, the Administration revision would require that a portion of earned income not be counted for purposes of establishing eligibility for, and the amount of, assistance payments.

Family Assistance Plan

H.R. 16311

- \$500 each for first 2 family members
- \$300 for each additional member
- 100% Federal funds
- Generally, head of family must register for work and training; family assistance reduced \$300 for failure to register or participate in work and training
- Portion of earned income not counted in determining benefits

Changes in Administration Revision

- Family assistance reduced \$500 (instead of \$300) when family member refuses to register or participate in work and training
- In addition to disregard of portion of earned income, amount of income equal to Federal income tax disregarded in determining benefits

CHART 5
STATE SUPPLEMENTARY PAYMENTS

Significant changes were made in the Administration revision concerning requirements on the States for supplementation of the Federal payment. In H. R. 16311, each State would be required to supplement the FAP payment up to the level of its January 1970 AFDC payment, or to the poverty level, whichever was lower. The intent was to provide welfare benefits which generally would not be lower than those which paid under current law. Under the Administration revision, a State would be required to make supplementary payments only up to a payment level, "determined by the Secretary after considering the payment which would have been made to a family group of such size with no income" under its State plan in effect in January 1970 (sec. 452 (a)). The effect, in the 22 States which now pay less than full need, would be to reduce or cut off welfare payments to most families which have some income.

Under H. R. 16311, the Federal Government would pay 30 percent matching for supplementary payments up to the poverty level.

The Administration revision would also provide 30% Federal matching; however, it would eliminate Federal matching for State programs of aid to needy families with existing unemployed fathers, now operative in 23 States. H. R. 16311 would have required the establishment of programs of aid to such families in all States, with Federal matching provided.

The Administration revision also would eliminate the provision of present law and H. R. 16311 which requires States to offer family planning services to all appropriate recipients of welfare.

State Supplementary Payments

H.R. 16311

- State must supplement FAP up to lower of
 - level of Jan. 1970 AFDC payment
 - poverty level
- 30% Federal matching
- Required for family with unemployed father; Federal matching provided
- Appropriate recipients must be offered family planning services

Administration Revision

- State must supplement FAP up to level set by Secretary after considering Jan. 1970 AFDC payment to family with no income; results in welfare cutoff or reduction to many recipients in 22 States
- 30% Federal matching
- Not required if father unemployed; if provided, no Federal matching
- Requirement concerning family planning deleted

CHART 6
WELFARE REDUCTION OR CUTOFF IN 22 STATES
UNDER ADMINISTRATION REVISION -- PART ONE

Under the present AFDC program, 11 States place a dollar maximum on AFDC payments which is lower than the State needs standard. In Maine, for example, there is an annual needs standard for a family of four of \$4188 and a maximum payment of \$2016. A family of four with \$1000 of countable income will have an unmet need of \$3188, but the payment will remain at the maximum of \$2016. H. R. 16311 would require States to provide supplementation at a level which would, in general, assure each family a total cash assistance payment (FAP plus State supplemental) equal to its former AFDC entitlement. The Administration revision, however, would require only that States pay families the difference between countable income and the present State maximum. In Maine, therefore, a family of four with zero income would receive \$2016 under AFDC, H. R. 16311, or the Administration revision. With \$1000 of countable income, however, this \$2016 would be reduced to \$1016 under the Administration revision while under present law or H. R. 16311 it would remain at \$2016.

This chart shows that in each of the eleven States with dollar maximum provisions, female-headed families of four with countable income of one, two or three thousand dollars would receive substantially less in total cash assistance under the Administration revision than under H. R. 16311 (or under AFDC). In some cases, such families would be removed from the welfare rolls altogether. Thus, in California, a family of four with countable income of \$3000 would get \$936 under H. R. 16311 or under present law, but would be cut off cash assistance under the Administration revision.

Welfare Reduction or Cutoff in 22 States under Administration Revision: Part One

11 States now set a maximum payment limitation

	Welfare payment to family of 4 with countable income of--		
	\$1,000	\$2,000	\$3,000
Alaska: H.R. 16311	\$2,220	\$2,220	\$2,220
Admin. revision	1,220	220	0
Arkansas: H.R. 16311	1,140	256	
Admin. revision	600	0	
California: H.R. 16311	2,652	1,936	936
Admin. revision	1,652	652	0
Delaware: H.R. 16311	1,844	844	444
Admin. revision	1,172	172	0
Georgia: H.R. 16311	1,496	496	
Admin. revision	600	0	
Indiana: H.R. 16311	1,800	1,660	660
Admin. revision	800	0	0
Maine: H.R. 16311	2,016	2,016	1,188
Admin. revision	1,016	16	0
Missouri: H.R. 16311	1,560	1,560	900
Admin. revision	600	0	0
Nebraska: H.R. 16311	2,400	1,960	960
Admin. revision	1,400	400	0
Tennessee: H.R. 16311	1,548	604	
Admin. revision	600	0	
Wyoming: H.R. 16311	2,216	1,216	216
Admin. revision	1,724	724	0

CHART 7
WELFARE REDUCTION OR CUTOFF IN 22 STATES
UNDER ADMINISTRATION REVISION: PART TWO

Under the present AFDC program, there are 11 States which make cash assistance payments equal to a percentage of the family's unmet need (the State standard less countable income). In Arizona, for example, a family of four with no countable income receives welfare totaling \$2208 in a year (69 percent of the standard of \$3192). A family of 4 with \$1000 of countable income will receive welfare payments totaling \$1512. H. R. 16311 would continue this method of computing a family's total welfare payment. The Administration revision, however, would result in the Secretary setting a required "payment level" based on what is now paid by the State to families with no income. This "payment level" would be reduced dollar-for-dollar for any countable income, with the result that families with earnings or other income in States which now meet less than 100 percent of need would have their welfare payments reduced or terminated. In Louisiana, a family of four with \$1000 of countable income would receive cash assistance of \$738 under present law and H. R. 16311, but only \$600 under the Administration revision. With countable income of \$2000, this family would be entirely removed from the assistance rolls under the Administration revision, while under present law and H. R. 16311, it would be entitled to welfare payments of \$228. In Louisiana as in most States on the chart, termination of cash assistance means termination of eligibility for medicaid benefits.

Welfare Reduction or Cutoff in 22 States under Administration Revision: Part Two

11 States now pay a portion of unmet need

	Welfare payment to family of 4 with countable income of--		
	<u>\$1,000</u>	<u>\$2,000</u>	<u>\$2,400</u>
Alabama: H.R. 16311	\$616	\$266	\$126
Admin. revision	600	0	0
Arizona: H.R. 16311	1,512	822	547
Admin. revision	1,208	208	0
Florida: H.R. 16311	1,006	406	166
Admin. revision	608	0	0
Kentucky: H.R. 16311	1,097	232	
Admin. revision	956	0	
Louisiana: H.R. 16311	738	228	25
Admin. revision	600	0	0
Mississippi: H.R. 16311	600	235	115
Admin. revision	600	0	0
Nevada: H.R. 16311	1,521	1,321	1,241
Admin. revision	716	0	0
New Mexico: H.R. 16311	1,292	392	32
Admin. revision	1,196	196	0
North Carolina: H.R. 16311	1,120	320	
Admin. revision	920	0	
South Carolina: H.R. 16311	716	196	
Admin. revision	600	0	
South Dakota: H.R. 16311	2,367	1,417	1,037
Admin. revision	2,312	1,312	912

CHART 8
TREATMENT OF FAMILIES WITH UNEMPLOYED
AND EMPLOYED FATHERS

This chart points up the major difference in the treatment of families headed by unemployed fathers under the Administration revision: the deletion of the requirement in H. R. 16311 that the States cover these families under their supplementary programs for both cash assistance and Medicaid benefits. Under the Administration revision, the States would have the option of covering these families with unemployed fathers under Medicaid. If a State provided cash benefits for such families, however, it would have to do so without Federal matching funds. The change would eliminate Federal matching funds for the 450,000 individuals now receiving assistance under 23 State programs of aid to families with unemployed fathers. In its material submitted on the Administration revision (Committee Print, page 27), the Department of Health, Education and Welfare assumes that no State will continue its program of aid to these families. The treatment of families of employed fathers -- the "working poor" -- would be the same under both H. R. 16311 and the Administration revision. Such families would be eligible for the basic FAP benefit, but no State supplementation would be required or matched by the Federal government. The option to the States under existing law of covering the children of the working poor under Medicaid would be continued. There would be no Federal matching of Medicaid benefits for adult members of the family.

Treatment of Families Headed by—

<u>Unemployed father</u>		<u>Employed father</u>
<u>H.R. 16311</u>	<u>Admin. Revision</u>	<u>H.R. 16311 and Admin. Revision</u>
•Eligible for family assistance	•Eligible for family assistance	•Eligible for family assistance
•State supplement required; Federal matching	•State supplement not required; if provided, no Federal matching	•State supplement not required; if provided, no Federal matching
•Medicaid for entire family required	•Medicaid for entire family permitted at State's option	•Medicaid for children permitted at State's option

Under existing law, States may (but are not required to) aid families with unemployed fathers. In Jan. 1970, 23 States offered aid to 450,000 persons in such families.

CHART 9
DIMINISHED INCENTIVE FOR LOW-INCOME WORK
UNDER ADMINISTRATION REVISION

This chart shows the monetary incentives under a combination of welfare programs for a female-headed family of four persons to seek full-time employment with earnings of \$3000 annually, about the minimum wage. Under the Administration revision, after taking into account social security taxes and reductions in medical, food stamp, and cash assistance benefits, such a family in Phoenix, Arizona would have as net value twenty-eight cents out of every dollar earned. This compares with a net value of sixty cents out of every dollar of earnings which the same family would have under H. R. 16311 and sixty-two cents under present law. In each of the other cities shown, the pattern is similar. Monetary incentives at the minimum wage level for female-headed families of four are lower under the revised Administration proposals than under H. R. 16311, which in turn is lower than under present law.

The decrease in incentives under the revised Administration proposals results partly from a change in how the mandatory State supplement is figured (in Delaware and Arizona) and partly from the proposed revision of the food stamp program, the proposed replacement of commodity distribution programs with the food stamp program, and the proposed replacement of the medicaid program with a medical insurance program. These proposed changes in other types of welfare programs are designed to eliminate strong work disincentives at higher earnings levels but they do so at the expense of reducing work incentives sharply at lower earnings levels.

Diminished Incentive for Low-Income Work Under Administration Revision

For family of 4 headed by a woman,
the net value of each dollar if she
moves from unemployment with no
income to full-time work at the
minimum wage

	<u>Present Law</u>	<u>H.R. 16311</u>	<u>Administration Revision</u>
Phoenix, Ariz.	62¢	60¢	28¢
Wilmington, Del.	71¢	67¢	23¢
Chicago, Ill.	54¢	38¢	27¢
New York, N.Y.	60¢	44¢	30¢

(Note: value of public housing excluded)

CHART 10
WELFARE RECIPIENTS UNDER PRESENT LAW
AND ADMINISTRATION REVISION

In 1965, 4.4 million persons in families with children received Federally shared welfare payments. Under present law, this number is expected to rise to 9.6 million by 1972-- a more than two-fold increase in seven years. Under the Administration revision, the Department of Health, Education, and Welfare estimates that 21.1 million persons and families would receive welfare in 1972, and this number would rise to 24.4 million by 1976.

In 1965, 2.7 million aged, blind, and disabled individuals received welfare payments. This number is estimated to increase 3.2 million by 1972. The Department of Health, Education, and Welfare estimates that the number will increase 100,000 if the Administration revision is enacted, and that this figure will rise to 3.9 million aged, blind, and disabled individuals on welfare by 1976.

Welfare Recipients Under Present Law and Administration Revision

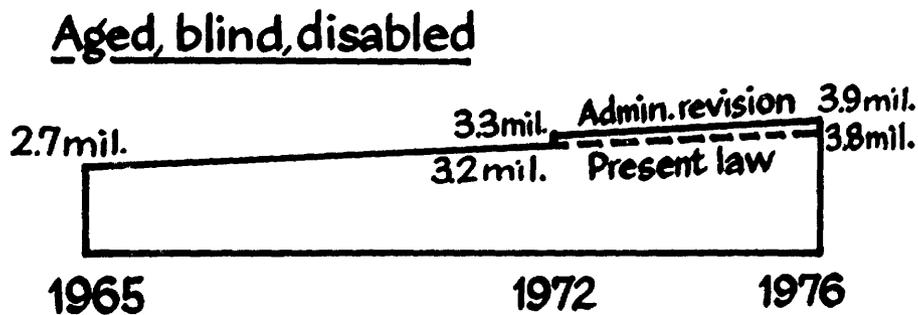
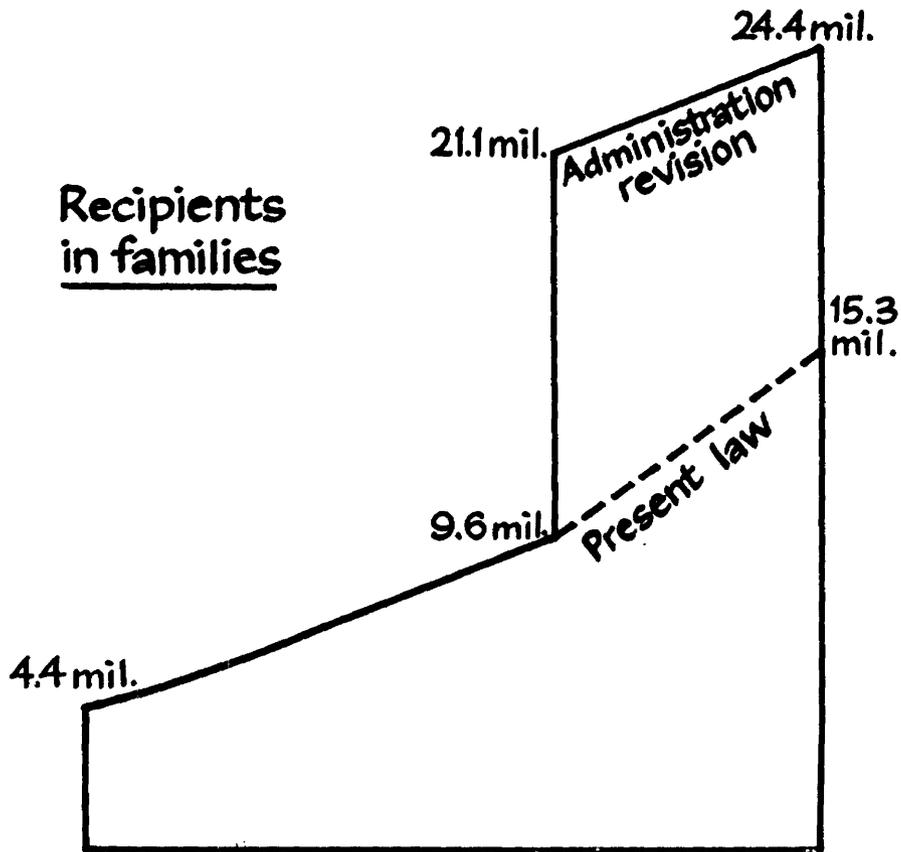


CHART 11
FEDERAL COST OF H. R. 16311 IN FISCAL YEAR 1971

Although neither H. R. 16311 nor the Administration Revision would become effective until fiscal year 1972, virtually all of the table furnished the Committee by the Department of Health, Education, and Welfare are related to fiscal year 1971.

The background paper released to the press on June 10, 1970 (and included in the Committee print beginning on page 11) attributed a cost of \$4.1 billion to the Administration Revision. Since Secretary Finch had testified before the Committee on Finance that the cost of H. R. 16311 would be \$4.4 billion in 1968, many persons have assumed that the Administration Revision would cost \$300 million less than the House bill.

In fact, the Administration Revision would cost almost a billion dollars more than the comparable amounts shown in the House Report on H.R. 16311. On page 53 of the House Report, a 1971 cost of \$7.3 billion is shown for payments to welfare recipients. Other costs amounting to \$0.9 billion are shown on a table on page 43 of the House Report. Thus the total cost of the program under the House bill was estimated by the Department of Health, Education, and Welfare at \$8.2 billion.

Under the Administration Revision, payments to families are estimated by the Department to total \$4.9 billion, with an additional \$ 0.1 billion allowance for an increase in the unemployment rate from 3.6% to 5.0%. Payments to aged, blind, and disabled persons are estimated at \$2.8 billion, while increased food stamp costs under the Administration Revision are estimated at \$0.4 billion. The first year cost of day care, training, administration, and other items is estimated at \$0.9 billion both in the House Report and under the Administration Revision. Thus the total cost of the Administration Revision is \$9.1 billion, almost a billion dollars higher than the \$8.2 billion estimated in the House Report. The Department of Health, Education, and Welfare's estimates of welfare costs under current law have risen \$0.5 billion since the House Report was issued and thus net costs have gone up from \$3.7 billion to \$4.1 billion.

Federal Cost of H.R. 16311 in FY 1971

	<u>House Report</u>	<u>Administration Revision</u>
Payments to families	\$4.6 bil.	\$4.9 bil.
Allowance for increased unemployment	---	0.1 bil.
Payments to aged, blind, disabled	2.7 bil.	2.8 bil.
Increased food stamp costs	---	0.4 bil.
Other increased costs	<u>0.9 bil.</u>	<u>0.9 bil.</u>
TOTAL	8.2 bil.	9.1 bil.
Cost of welfare payments under present law	<u>4.5 bil.</u>	<u>5.0 bil.</u>
Net increase	3.7 bil.	4.1 bil.

CHART 12
REVENUE SHARING UNDER ADMINISTRATION REVISION

Although the Administration Revision would not become effective until fiscal year 1972, the Department of Health, Education, and Welfare has provided a table showing savings to States of \$662 million in fiscal year 1971.

The Department of Health, Education, and Welfare estimates that 35 percent of this total will represent the replacement of State funds by Federal funds in California.

An additional 28 percent of the total will represent the replacement of State funds by Federal funds in four States: New York, Illinois, Ohio, and Texas.

The Department's estimates assume that all States will discontinue assistance to families in which the father is unemployed.

Revenue Sharing Under Administration Revision

Total: \$662 million in fiscal 1971

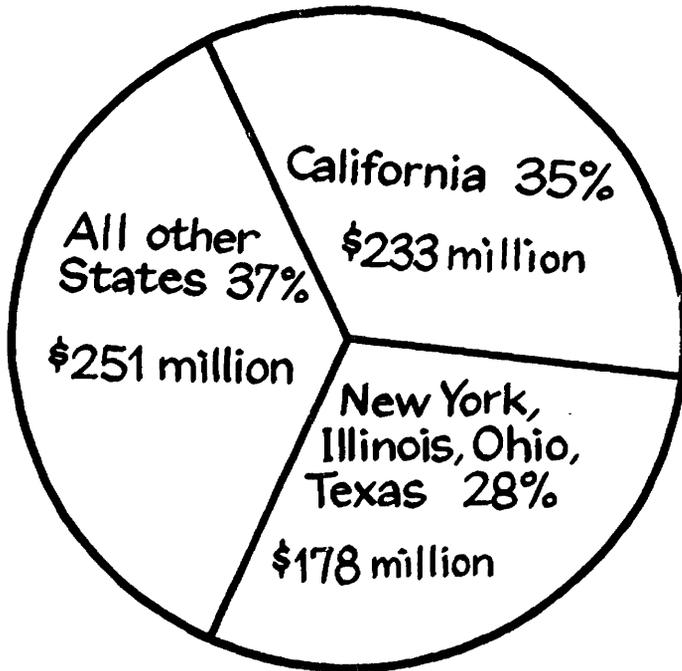


CHART 13
IMPACT OF ADMINISTRATION REVISION ON
CERTAIN WELFARE RECIPIENTS AND STATE
TREASURY -- CALIFORNIA AND NEW YORK

While California and New York are estimated by the Department of Health, Education and Welfare to benefit substantially from the revenue sharing provisions of the Administration Revision, there will be a sharp reduction in Federally-shared welfare payments to many recipients on the rolls in those two States, as is shown on the Chart.

This is the result of:

1. Elimination of Federal matching for State supplementary payments to families headed by an unemployed father (material furnished by the Department of Health, Education and Welfare assumes that all States will discontinue payments to such families);
2. In California, under the Administration Revision, the Secretary basing payment levels on the amount paid to families with no income;
3. A different method of treating work expenses under the Administration Revision compared with present law; and
4. A cut-off point for Federal matching in New York State at \$3,720 for a family of four.

Impact of Administration Revision on Certain Welfare Recipients and State Treasury

<u>California</u>	<u>Federally shared welfare payment</u>	
	<u>Present Law</u>	<u>Administration Revision</u>
Family of 4 headed by—		
• Unemployed father, no income	\$2,652	\$1,600
• Widow receiving social security benefits of \$120	2,496	1,212
• Woman working full time at minimum wage (\$3320), work expenses \$60/month	2,652	919

Savings to State Treasury under Administration Revision: \$232.5 million

New York

Family of 4 headed by—		
• Unemployed father, no income	\$4,032	\$1,600
• Widow receiving social security benefits of \$120	2,592	2,280
• Woman working full time at minimum wage (\$3320), work expenses \$60/month	2,779	1,987

Savings to State Treasury under Administration Revision: \$58.6 million

CHART 14
ADMINISTRATION OF ASSISTANCE PROGRAMS

As indicated on the accompanying chart, H. R. 16311 would provide the option of either Federal or State administration of State supplementary payments. As an inducement to the States to make agreements with the Secretary for Federal administration of the supplementary payments, H. R. 16311 would provide for 100 percent Federal payment for the cost of administration under such agreements. (The Federal matching share is currently 50 percent.) The Administration revision would provide, however, that if an agreement for Federal administration is made which has an effective date not later than two years after the date of the implementation of the Family Assistance Plan, the Federal Government would pay 100 percent of the cost of administration during the period after the execution of the agreement and before actual Federal administration. Thus, during a two-year period the Federal Government could pay 100 percent of the cost of administering a State supplementary program even though the State was doing the actual administering.

The Administration revision would also authorize the Secretary to enter into agreements with the States for Federal administration of the food stamp program (with the State paying the whole cost), Federal eligibility determination for Medicaid (with the State and Federal Governments sharing the cost equally), and Federal determination of eligibility for surplus commodities (with the State paying the entire cost). The Secretary could also make agreements with the States for Federal administration of general assistance programs (with the State paying the whole cost).

Administration of Assistance Programs

Present Law

- Administered by State welfare agency
- 50% Federal share

H.R. 16311

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

Administration Revision

- 100% Federal share even before Fed'l administration
- Agreement may be made for Fed'l administration of
 - food stamps for welfare recipients (No matching)
 - eligibility determination for Medicaid (50% matching) and surplus commodities (NO matching)
 - General Assistance (100% of cost borne by States)

CHART 15
NEW SOCIAL SERVICES

In its revision of the bill, the Administration would delete provisions relating to social services for welfare recipients which are in the various public assistance titles of present law (also in H. R. 16311), and would instead add a new social services title to the Social Security Act.

The new title would provide Federal matching (with different percentages for different kinds of services) for a variety of social services to be provided by the States under State plans. At the heart of the new proposal is the State social services plan. Section 2005 (a) of the Administration revision (page 112 of the revised bill), the State plan is required to contain "assurances, satisfactory to the Secretary, that the State's program of individual and family services will include a reasonable balance (as prescribed in regulations by the Secretary) of such services and will conform to such minimum standards of performance as the Secretary may establish." Nowhere in the material submitted by the Department of Health, Education and Welfare is there any indication of what the Secretary might do under this authority.

The Administration revision would provide that individuals and families with incomes below the poverty level receive services without charge. However, those with incomes above the poverty level would be charged for certain services, according to the level of their income. The Secretary would approve the State's fee schedule.

At least 90 percent of the Federal allocation in any area would have to be used to provide services to persons or families below the poverty level, with the exception of counseling and referral, foster care, adoption, manpower and protective services.

The bill would require the Governor of a State to divide the State into "service areas." It would further require him to designate a State agency or a local prime sponsor to administer the program in each "service area," except that the chief elected official of a city with a population in excess of 250,000 could designate his city as a "service area" and could designate the local prime sponsor if he disagreed with the Governor's designation. The Governor may veto a service area plan, but the local prime sponsor may then appeal directly to the Secretary (sec. 2004(b)). If the Governor feels that the local prime sponsor has failed to administer its social services program in accordance with its approved plan, he may arrange for direct State administration (sec. 2005(a)(2)(J)); but if the Secretary determines that there has been any substantial failure to comply with the provisions, he may cut off Federal funds and set up direct Federal administration (sec. 2006(a)).

The bill authorizes an appropriation of such sums as may be necessary for grants to States for individual and family services. This amount would be allotted on the basis of each State's expenditures of Federal funds for social services in fiscal year 1971. An additional annual appropriation of \$50 million is authorized to be used for the purpose of equalizing Federal social service expenditures among the States.

The bill also authorizes an appropriation of \$150 million in funds for foster care. These funds would be allotted on the basis of the child population in each State.

New Social Services Title in Administration Revision

- Includes child welfare services, foster care, adoption services, temporary emergency assistance, family planning, services in support of work and training programs, child care, protective services (as defined by Secretary), custodial nursing home care, homemaker services, counseling and referral
- State plans must fit priorities set by Secretary and meet performance standards and goals set by Secretary
- Services must be completely separated from cash welfare
- Persons below poverty level eligible for services without charge; fees charged for certain services provided persons above poverty level
- 90% of funds must be used for services to persons below the poverty level (with certain exceptions)
- Complex Federal, State, and "service area" relationships
- Fixed appropriations allocated among the States; up to 10% of appropriations to Secretary for project grants and contracts
- \$50 million authorized for allotment to States with social services expenditures below the national average

CHART 16
NEW PROVISIONS IN ADMINISTRATION REVISION ON GOVERNMENTAL ASSISTANCE AND PROGRAM CONSOLIDATION

Governmental Assistance. -- The Administration revision would authorize the Secretary to make governmental assistance grants to provide aid to governors and the chief executives of cities and counties of his choosing for the purpose of strengthening their capacity to plan, manage, and evaluate health, education and welfare programs in a coordinated way. Support for a project could be continued only 3 years. Federal matching would be 75 percent in the first year, 65 percent in the second year, and 50 percent in the third year. If a project was jointly undertaken by two or more chief executives, the percentages would be 95 percent, 85 percent, and 70 percent.

Program Consolidation. -- Under the Administration revision, the Governor of each State could submit a single consolidated plan, including (1) his program of social services and (2) any one or more of his State's programs under which Federal assistance is extended by the Department of Health, Education and Welfare, and which includes services to individuals or families in the area of health, education and welfare. The plan would have to designate an official or agency to report to the Governor, and to assure that all necessary steps were taken for coordination of planning and administration of programs.

The Administration revision would authorize the Secretary, at the request of the Governor, to establish a single non-Federal share for programs included in a consolidated plan. The Governor or the local chief executive would be permitted to transfer up to 20 percent of the Federal assistance available for one program for use in one or more other programs included in the consolidated plan. However, no program could be given more than 50 percent in additional funds, over the amount originally available to it.

New Provisions in Administration Revision on Governmental Assistance and Program Consolidation

Governmental Assistance

- Secretary makes grants to Governors and mayors of his choice to strengthen the capacity of their offices to plan, manage, and evaluate HEW programs
- Project support limited to 3 years, with declining Federal matching

Program Consolidation

- Governor may submit consolidated plan which
 - must include social services plan
 - may not include Medicaid or cash welfare
 - generally, may include any other HEW program
- Secretary sets single non-Federal share based on non-Federal shares of programs included in plan
- Governor or mayor may transfer up to 20% of Federal funds available for one program into other programs, with limitation that no program may be increased by more than 50%.

CHART 17
FAMILY PLANNING

Under present law, family planning services must be offered to all appropriate AFDC recipients. The Department of Health, Education, and Welfare estimates that 479,300 families were offered such services in 1969 under an open-end Federal matching grant formula. Moreover, Federal matching is provided for services not only to persons actually on AFDC, but to former or potential recipients.

Under the Administration's new social services proposal, there is no requirement that family planning be offered or made available to welfare recipients. Family planning is only one of the enumerated services which the States may offer as part of their social services plan. In addition, persons above the poverty line--a group which includes nearly all AFDC recipients in two States and many recipients in other States whose earnings bring them above the poverty level--would be required to pay for these services under a schedule approved by the Secretary of Health, Education, and Welfare. Finally, family planning services would have to compete with other services for limited Federal matching dollars under a closed-end grant.

Family Planning

Present law

- Must be offered all appropriate AFDC recipients
- 479,300 persons offered family planning services in 1969
- May be offered persons who were once on welfare or who might become dependent
- Open-ended Federal matching

Administration revision

- No requirement that family planning be offered or made available to welfare recipients
- Persons above poverty line, including many welfare recipients, must pay for family planning
- Closed-end Federal grant

CHART 18
**MAJOR AREAS OF SECRETARIAL DISCRETION
 LEFT UNCHANGED IN ADMINISTRATION REVISION**

H. R. 16311 contains 39 areas allowing the Secretary of Health, Education and Welfare and the Secretary of Labor important discretion to determine policy, in the following sections:

Sec. 431 (a)	Sec. 443 (b)(3)	Sec. 447 (c)
Sec. 422 (a)(2)	Sec. 443 (b)(5)	Sec. 452 (a)
Sec. 432 (a)(3)	Sec. 444 (a)(2)	Sec. 452 (b)(1)
Sec. 434	Sec. 444 (b)	Sec. 1602 (a)(6)
Sec. 435 (a)	Sec. 445 (b)	Sec. 1602 (a)(7)
Sec. 436 (c)	Sec. 445 (d)	Sec. 1602 (a)(11)
Sec. 437 (a)	Sec. 446 (a)(1)	Sec. 1602 (a)(16)
Sec. 442 (c)(1)	Sec. 446 (a)(2)	Sec. 1602 (b)(4)
Sec. 442 (c)(2)	Sec. 446 (a)(3)	Sec. 1602 (b)(5)
Sec. 442 (c)(3)	Sec. 446 (b)	Sec. 1603 (a)(1)
Sec. 442 (d)	Sec. 446 (e)(1)	Sec. 1604 (2)
Sec. 443 (b)(1)	Sec. 446 (e)(2)	Sec. 1610
Sec. 443 (b)(2)	Sec. 447 (a)	Sec. 404 (16)(c) of bill

In most cases the Administration revision neither changes the language of H. R. 16311 nor has the Administration indicated the policy it will follow under the discretionary authority. In some cases, the language of the bill specifically authorizing the Secretary to issue regulations has been deleted in the Administration revision, although there is still no indication of policy -- thus the deletion of specific reference to the Secretary's discretion has no practical meaning.

Secretary of Health, Education, and Welfare. -- Under the Administration revision, the Secretary of Health, Education and Welfare would determine which items should not be considered as resources in determining a family's eligibility for assistance. The Secretary would also have the authority, under the Administration revision, to determine eligibility for family assistance on the basis of a simplified declaration of need by the recipient. He would, in addition, issue regulations which would set the amount of gross income a family could have and still retain eligibility for welfare.

In regard to child care, the Secretary would have broad authority to decide who would be provided child care services, and for how long. He would also have the authority to establish a fee schedule for payment for child care services by recipients.

The definition of "severely disabled" for purposes of eligibility for welfare would be made by the Secretary; his decision could increase the welfare rolls by as much as one million disabled persons. The Secretary would also determine the maximum payment level which the Federal Government would match under the program of assistance to the aged, blind and disabled.

If a State wished to exercise the option for Federal administration of the State supplementary payment program, the Secretary would make the determination of who was eligible for the payments and the amount of the payments.

Secretary of Labor. -- The Administration revision would give the Secretary of Labor broad discretion in deciding who should be given training, and the kind of training provided. He also would have discretionary authority in deciding how to allocate work and training funds among the States.

Major Areas of Secretarial Discretion Left Unchanged in Administration Revision

Secretary of HEW

- Decides what items will not be considered resources for welfare eligibility purposes
- May determine family's eligibility on basis of simplified declaration
- Sets limits on gross income a family may have and still be eligible for welfare
- Decides who to provide child care to, for how long, and at what cost
- Defines meaning of "severely disabled" for welfare purposes
- Decides extent of Federal matching for aid to aged, blind, and disabled
- If State opts for Federal administration, determines who is eligible for State welfare and how much they receive

Secretary of Labor

- Decides who to train and how
- Decides how he will allocate work and training funds among the States

CHART 19
MAJOR NEW AREAS OF DISCRETION UNDER ADMINISTRATION REVISION

In addition to the more than 30 areas of Secretarial discretion in policy matters retained from H. R. 16311 in the Administration revision, the revised bill would add 20 new areas of discretion, contained in the following sections:

Sec. 436 (a)(4)(twice)	Sec. 2002 (5)
Sec. 443 (b)	Sec. 2004 (c)
Sec. 445 (c)	Sec. 2005 (a)(1)(C)
Sec. 447 (d)	Sec. 2005 (a)(2)(A)
Sec. 448 (b)(4)	Sec. 2005 (a)(2)(B)
Sec. 452 (a)	Sec. 2005 (a)(2)(E)
Sec. 452 (b)(1)	Sec. 2012 (1)(B)(ii)
Sec. 2002 (1)(E)	Sec. 2022 (a)(1)
Sec. 2002 (3)(A)	Sec. 2030

Secretary of Health, Education and Welfare. -- A change in the requirement for State supplementation of the family assistance payment would require the Secretary of Health, Education and Welfare to determine the minimum payment level which a State must provide to recipients of supplementary payments. The Administration revision would also require Secretarial definition of family relationships by eliminating the provision in H. R. 16311 which would require the application of appropriate State law in determining family relationships.

The Administration revision would give the Secretary new authority for the construction of child care facilities, and would enable him to determine when and where such facilities would be constructed. In the new social services title provided in the bill, the Federal government would provide funds for payments for foster care, but only if the foster care meets standards prescribed by the Secretary.

The social services provisions would also give the Secretary authority to prescribe regulations relating to the "reasonable balance" of services offered by a State, and would authorize him to establish standards of performance in the delivery of services.

If the Governor of a State took advantage of the provision in the Administration revision enabling him to establish a consolidated health, education and welfare plan, the Secretary would have the authority to establish a single Federal matching share, based on the Federal share or shares applicable to the various programs included in the plan and on the total expenditures which could be claimed for Federal financial participation for each program.

The Administration revision would also allow the Secretary free choice in deciding which governors and mayors would receive the governmental assistance grants which are provided in the revised bill.

Secretary of Labor. -- Under the Administration revision, the Secretary of Labor, in determining whether benefits should be denied, would have to decide whether an individual had the ability, based on skills or prior experience, to acquire other employment that would contribute more to his self-sufficiency, but only if the Secretary of Labor was satisfied that such employment was actually available in the community, and the individual had not been given adequate opportunity to obtain it.

President. -- The Administration revision would give the President the authority to prescribe regulations relating to joint funding, involving the designation of a single Federal agency to administer funds which are advanced for a single project or program by more than one Federal agency, establishing a single non-Federal share, and waiving grant or contract requirements.

Major New Areas of Discretion Under Administration Revision

Secretary of HEW

- Sets minimum level of State supplementation
- Defines family relationships on a nationwide basis
- Decides when and where child care facilities will be constructed
- Sets national standards for foster care
- Determines what social services State must offer and sets minimum performance standards and goals
- Sets the Federal matching share for consolidated State HEW plans
- Decides which Governors and mayors will receive assistance grants and how much they will receive

Secretary of Labor

- Decides when an individual may continue to receive welfare if he refuses work because his ability, skills and experience qualify him for other employment

President

- Given broad authority to permit consolidation of Federal projects involving more than one agency, set non-Federal share, and waive program requirements

CHART 20
MAJOR ADMINISTRATION PROPOSALS NOT
INCLUDED IN REVISED BILL

During the three days of hearings held on the welfare bill by the Committee on Finance at the end of April, three programs for poor persons were cited as requiring close coordination with the welfare programs. In each case, it can happen that an increase in family income brings about a larger decrease in benefits to the family. Although the Administration revision does not incorporate modifications in these programs to solve the problems raised, the Administration has stated its intentions in each area.

Food Stamps. -- The Administration states that it intends to modify the schedules of food stamp benefits through administrative action to correct the problem.

Public Housing. -- The Administration points out that it has submitted legislation to the Congress which would solve the problem by requiring families in public housing to contribute 20% of the first \$3500 of income plus 25% of income above \$3500 up to the fair market value of the housing. This legislation is currently pending before the Senate Committee on Banking and Currency.

Medicaid. -- The Administration has also stated its intention to submit legislation next February to replace Medicaid for families with a wholly Federal family health insurance plan. Section 504 of the Administration revision would require that:

"On or before February 15, 1971, the Secretary shall submit to the Congress recommendations for restructuring and improving the existing program of medical assistance under title XIX of the Social Security Act, including recommendations specifically designed to assure that such program will be consistent in effect with the objectives of the family assistance plan established by section 101 of this Act."

Major Administration Proposals Not Included in Revised Bill

Food Stamps

Schedule of entitlement to be revised to ensure that increase in family income will not result in net loss to family because of larger decrease in food stamp bonus

Public Housing

Legislation proposed in Administration's 1970 Housing Bill would require families in public housing to contribute 20% of their first \$3,500 of income plus 25% of income above \$3,500, up to fair market value of housing

Medicaid

Administration plans to submit legislation next February to replace Medicaid for families with wholly Federal Family Health Insurance Plan

APPENDIX A

ANALYSIS OF RESPONSES OF 26 GOVERNORS TO THE COMMITTEE'S
REQUEST FOR DATA ON THE IMPACT OF THE FAMILY ASSISTANCE PLAN

(Note: The following pages compare material from the State responses with data submitted by the Department of Health, Education, and Welfare.)

On April 30, the Honorable Russell B. Long, Chairman of the Committee on Finance, sent a telegram to the Governor of every State seeking information on the impact of H. R. 16311, the Family Assistance Act of 1970, in his State. Responses were received from twenty-six Governors.

Aid to Families With Dependent Children

Table 1 below compares the estimates of the States as to the number of persons who will be eligible under their Aid for Dependent Children programs in 1972 with the estimates of the Department of Health, Education, and Welfare as to the number of persons in those States who would be eligible for State supplementation payments under the Family Assistance Act if that act were in effect in 1971. In very general terms, it would be expected that the AFDC rolls and the State Supplemental rolls under FAP should cover about the same populations.

TABLE I. -- State Estimates of 1972 AFDC Rolls Compared with 1971 State Supplementation Recipients as Estimated by Department of Health, Education, and Welfare.

<u>State</u>	<u>AFDC Recipients 1970</u>	<u>State Estimate of 1972 AFDC Recipients</u>	<u>HEW Estimate of Supplemental Recipients</u>
Arizona	51,300	65,200	63,100
California	1,162,000	1,559,700	1,125,700
Connecticut	82,500	112,000	130,000
Delaware	20,000	27,000	14,700
Hawaii	25,100	38,207	34,800
Idaho	15,800	20,845	18,700
Kansas	53,600	87,800	74,500
Kentucky	128,000	159,000	164,700
Maine	34,500	66,600	32,000
Maryland	133,000	158,000	144,000
Minnesota	75,900	86,000	124,500
Montana	13,100	20,000	17,200
Nevada	12,100	23,000	7,500
New Hampshire	8,900	13,817	15,600
New York	1,060,000	1,175,000	1,366,300
North Carolina	126,000	160,000	123,000
North Dakota	10,600	14,000	14,100
Ohio	265,000	422,612	360,600
Rhode Island	38,100	42,500	56,900
Texas	219,000	448,735	216,100
Vermont	11,600	12,479	20,600
Wyoming	5,000	8,416	5,600

Of the 22 States in the table, 14 States estimated 1972 AFDC recipient levels higher than the HEW estimates of the number of State supplemental recipients in 1971, and 8 States estimated lesser numbers of recipients than did HEW. In about half the cases, the variance in estimates amounted to more than 25 percent, as is shown below:

<u>State</u>	<u>State's 1972 AFDC Estimate Is</u>	
	<u>Percentage Higher than HEW 1971 estimate</u>	<u>Percentage Lower than HEW 1971 estimate</u>
Nevada	207 %	
Maine	108	
Texas	108	
Delaware	84	
Wyoming	50	
California	39	
North Carolina	30	
Vermont		39 %
Minnesota		31
Rhode Island		25

Even allowing for the one year difference in time reference and the differences between the two programs, these variations between the estimates of the States and the estimates of HEW are quite substantial. To some extent, State AFDC rolls may be higher than State supplementation rolls because the Administration revision of H. R. 16311 would base the State

supplementation payments on the amount of AFDC paid a family with no income. For States not now meeting full need as measured by their needs standard, a number of persons would be cut off the rolls under the Administration revision. On the other hand, there are also factors which would work in the opposite direction. For example, it is widely assumed that the adoption of uniform Federal standards of administration would increase the welfare rolls by eliminating State practices which directly or indirectly limit eligibility. Also, the HEW estimates are presumably based on the total eligible population while the States' estimates most likely represent their calculation as to what the caseload will actually be without counting those who are unaware of their eligibility or unwilling to apply for welfare.

In this connection, it should be pointed out that there is some feeling that the existence of the Family Assistance Plan would result in an increase in the proportion of eligibles who actually apply for assistance. The State of Washington estimated that the factor of "publicity and change in public attitude" as a result of the FAP program would increase the rolls by 5,770 families at a cost of \$5.5 million including \$3.9 million in State funds.

Medicaid

The States also projected substantial increases in their Medicaid costs if H. R. 16311 were enacted in the form in which it passed the House of Representatives. Table 2 shows the various estimates made by the States with respect to added Medicaid costs. It should be pointed out that these figures are not comparable from State to State since some States apparently restricted their estimates to the added costs arising from the increased number of persons eligible in the adult categories (the aged, blind, and disabled) while other States included all additional recipients including those who would be added to the welfare rolls because of the mandatory extension of State assistance to families with an unemployed father. This last provision has been eliminated in the Administration's revised proposals.

Table 2. -- Estimates of Added Medicaid Costs
under H. R. 16311
(millions of dollars)

<u>State</u>	<u>Total Additional Medicaid Cost</u>	<u>Additional State Share</u>
California	\$125.0	\$62.5
Connecticut	5.9	3.0
Delaware	0.4	0.2
Georgia	19.8	5.6
Hawaii	7.5	3.8
Idaho	1.2	0.4
Indiana	27.0	12.7
Kansas	-0-	-0-
Kentucky	8.0	2.1
Louisiana	2.0	0.5
Maine	7.2	2.3
Maryland	0.2	0.1
Minnesota	4.4	1.9
Mississippi	38.2	7.7
Missouri	7.5	3.5
Nevada	10.3	5.2
New Hampshire	0.3	0.1
North Carolina	17.3	4.7
North Dakota	3.0	0.9
Ohio	24.1	11.5
Pennsylvania	-0-	-0-
Rhode Island	1.0	0.5
Texas	50.3	16.8
Virginia	10.0	3.5
Wisconsin	5.2	2.3
Wyoming	11.9	4.7
Totals (for 26 States)	387.7	156.5

Earned Income Disregard

In the questionnaire, the States were asked to indicate the number of persons who would become eligible for assistance because of the provisions of H. R. 16311 which required the disregard of a certain amount of earned income in determining eligibility. Many States indicated that this change would have only slight effect on the numbers eligible, apparently believing that the disregard provisions in the present AFDC law are roughly comparable to those in H. R. 16311. However, the number of recipients would be affected not only by the differences in the amount disregarded but also by the fact that under H. R. 16311 the disregard provisions could be applied to establish initial eligibility while under present law they may be applied only to families already on the rolls. Some States which were aware of this aspect of the proposal estimated that it would have a substantial effect. For example, Ohio projected an additional 132,283 recipients as a result of the provisions in H. R. 16311 for disregarding income in establishing eligibility.

APPENDIX B

TABLE 1. -- PROPORTION OF POPULATION ON FEDERALLY AIDED WELFARE UNDER PRESENT LAW AND ADMINISTRATION REVISION

	Civillan Resident Population	Federally Aided Welfare Recipients, January 1970		Welfare Recipients Under Administration Revision	
		Number	Percent of Population	Number	Percent of Population
Total U. S.	203,796,700	10,436,197	5.1%	23,784,300	11.7%
Alabama	3,505,000	255,400	7.3%	665,800	19.0%
Alaska	252,000	10,274	4.1%	25,100	10.0%
Arizona	1,685,000	72,440	4.3%	204,600	12.2%
Arkansas	1,996,000	115,000	5.8%	369,700	18.5%
California	19,213,000	1,655,400	8.6%	2,323,400	12.1%
Colorado	2,065,000	114,110	5.5%	368,000	17.8%
Connecticut	3,009,000	97,140	3.2%	187,900	6.2%
Delaware	537,000	23,860	4.4%	55,000	10.2%
District of Columbia	783,000	47,490	6.1%	65,900	8.4%
Florida	6,332,000	295,900	4.7%	683,600	10.8%
Georgia	4,565,000	328,400	7.2%	1,025,500	22.5%
Hawaii	747,000	29,072	3.9%	62,700	8.4%
Idaho	717,000	22,100	3.1%	54,400	7.6%
Illinois	11,031,000	446,100	4.0%	806,300	7.3%
Indiana	5,136,000	98,100	1.9%	876,900*	17.1%*
Iowa	2,785,000	92,300	3.3%	235,700	8.5%
Kansas	2,288,000	73,940	3.2%	158,600	6.9%
Kentucky	2,192,000	211,200	9.6%	523,500	23.9%

*NOTE: The Department of Health, Education, and Welfare subsequently revised its estimate of the number of persons on welfare in Indiana under the Administration revision; under the new estimate, the figures would be 298,100 and 5.8%.

TABLE 1. -- PROPORTION OF POPULATION ON FEDERALLY AIDED WELFARE
UNDER PRESENT LAW AND ADMINISTRATION REVISION (cont.)

Louisiana	3,724,000	346,500	9.3%	934,200	25.1%
Maine	967,000	48,920	5.1%	145,400	15.0%
Maryland	3,732,000	157,850	4.2%	262,800	7.0%
Massachusetts	5,475,000	282,500	5.2%	438,500	8.0%
Michigan	8,798,000	316,200	3.6%	646,400	7.3%
Minnesota	3,714,000	108,120	2.9%	320,300	8.6%
Mississippi	2,336,000	211,000	9.0%	806,600	34.5%
Missouri	4,637,000	255,200	5.5%	443,100	9.6%
Montana	688,000	18,880	2.7%	52,200	7.6%
Nebraska	1,437,000	43,550	3.0%	167,700	11.7%
Nevada	452,000	15,570	3.4%	37,000	8.2%
New Hampshire	720,000	14,260	2.0%	39,800	5.5%
New Jersey	7,128,000	318,720	4.5%	508,800	7.1%
New Mexico	976,000	69,260	7.1%	194,400	19.9%
New York	18,369,000	1,227,400	6.7%	1,979,300	10.8%
North Carolina	5,110,000	194,600	3.8%	960,600	18.9%
North Dakota	600,000	16,583	2.8%	96,900	16.2%
Ohio	10,786,000	355,400	3.3%	799,800	7.4%
Oklahoma	2,545,000	188,700	7.4%	366,200	14.4%
Oregon	2,044,000	93,800	4.6%	143,500	7.0%
Pennsylvania	11,797,000	511,800	4.3%	634,800	5.4%
Rhode Island	886,000	45,810	5.2%	67,200	7.6%

TABLE 1. -- PROPORTION OF POPULATION ON FEDERALLY AIDED WELFARE
UNDER PRESENT LAW AND ADMINISTRATION REVISION (cont.)

South Carolina	2,636,000	83,900	3.2 %	490,800	18.6 %
South Dakota	650,000	22,110	3.4 %	107,400	16.5 %
Tennessee	3,971,000	205,400	5.2 %	741,800	18.7 %
Texas	11,097,000	478,800	4.3 %	1,521,500	13.7 %
Utah	1,049,000	42,760	4.1 %	55,100	5.3 %
Vermont	444,000	18,000	4.1 %	46,800	10.5 %
Virginia	4,514,000	109,400	2.4 %	431,300	9.6 %
Washington	3,386,000	153,450	4.5 %	312,300	9.2 %
West Virginia	1,819,000	115,580	6.4 %	275,300	15.1 %
Wisconsin	4,242,000	101,180	2.4 %	238,400	5.6 %
Wyoming	317,000	7,447	2.3 %	20,000	6.3 %
Puerto Rico	2,763,000	264,930	9.6 %	800,000	29.0 %
Guam	87,700	2,072	2.4 %	3,400	3.9 %
Virgin Islands	59,000	2,319	3.9 %	2,100	3.6 %

TABLE 2. -- INCREASE IN WELFARE RECIPIENTS UNDER ADMINISTRATION REVISION

	<u>Federally Aided Welfare Recipients, January 1970</u>	<u>Welfare Recipients Under Administration Revision</u>	<u>Percent Increase</u>
Total U. S.	10,436,197	23,784,300	128 %
Alabama	255,400	665,800	161 %
Alaska	10,274	25,100	146 %
Arizona	72,440	204,600	183 %
Arkansas	115,000	369,700	222 %
California	1,655,400	2,323,400	41 %
Colorado	114,110	368,000	221 %
Connecticut	97,140	187,900	93 %
Delaware	23,860	55,000	130 %
District of Columbia	47,490	65,900	39 %
Florida	295,900	683,600	131 %
Georgia	328,400	1,025,500	212 %
Hawaii	29,072	62,700	116 %
Idaho	22,100	54,400	146 %
Illinois	446,100	806,300	81 %
Indiana	98,100	876,900 *	794 % *
Iowa	92,300	235,700	155 %
Kansas	73,940	158,600	114 %
Kentucky	211,200	523,500	148 %
Louisiana	346,500	934,200	170 %
Maine	48,920	145,400	197 %

*NOTE: The Department of Health, Education, and Welfare subsequently revised its estimate of the number of persons on welfare in Indiana under the Administration revision; under the new estimate, the figures would be 298,100 and 323%.

TABLE 2. -- INCREASE IN WELFARE RECIPIENTS UNDER
ADMINISTRATION REVISION(cont.)

Maryland	157, 850	262, 800	67 %
Massachusetts	282, 500	438, 500	55 %
Michigan	316, 200	646, 400	104 %
Minnesota	108, 120	320, 300	196 %
Mississippi	211, 000	806, 600	282 %
Missouri	255, 200	443, 100	74 %
Montana	18, 880	52, 200	176 %
Nebraska	43, 550	167, 700	285 %
Nevada	15, 570	37, 000	138 %
New Hampshire	14, 260	39, 800	179 %
New Jersey	318, 720	508, 800	60 %
New Mexico	69, 260	194, 400	180 %
New York	1, 227, 400	1, 979, 300	61 %
North Carolina	194, 600	960, 600	394 %
North Dakota	16, 583	96, 900	485 %
Ohio	355, 400	799, 800	125 %
Oklahoma	188, 700	366, 200	94 %
Oregon	93, 800	143, 500	53 %
Pennsylvania	511, 800	634, 800	24 %
Rhode Island	45, 810	67, 200	47 %
South Carolina	83, 900	490, 800	485 %

TABLE 2. -- INCREASE IN WELFARE RECIPIENTS UNDER
ADMINISTRATION REVISION cont.

South Dakota	22, 110	107, 400	386 %
Tennessee	205, 400	741, 800	262 %
Texas	478, 800	1, 521, 500	218 %
Utah	42, 760	55, 100	29 %
Vermont	18, 000	46, 800	160 %
Virginia	109, 400	431, 300	294 %
Washington	153, 450	312, 300	104 %
West Virginia	115, 580	275, 300	138 %
Wisconsin	101, 180	238, 400	136 %
Wyoming	7, 447	20, 000	169 %
Puerto Rico	264, 930	800, 000	202 %
Guam	2, 072	3, 400	64 %
Virgin Islands	2, 319	2, 100	-9 %

TABLE 3. -- COMPARISON OF PROJECTED RECIPIENTS
 UNDER THE ADMINISTRATION REVISION
 AND CURRENT LAW, 1972 - 1976
 (in millions of persons)

	1972	1973	1974	1975	1976
<u>Total Recipients</u>					
Under Administration revision:					
Persons receiving FAP only	12.7	12.3	11.9	11.5	11.0
Persons receiving State supplement only	1.9	2.6	3.4	4.2	5.1
Persons receiving both FAP & supplementation	6.6	6.9	7.3	7.8	8.3
Adult category recipients	3.3	3.5	3.6	3.8	3.9
Totals, Administration revision	24.4	25.2	26.1	27.2	28.3
Under Current Law:					
AFDC recipients	9.6	10.8	12.1	13.6	15.3
Adult category recipients	3.2	3.4	3.5	3.7	3.8
Totals, Current Law	12.8	14.2	15.6	17.3	19.1
<u>Recipients in Male-Headed Families</u>					
Under Administration revision:					
Persons receiving FAP only	9.5	9.1	8.7	8.3	7.9
Persons receiving State supplement only	-	-	-	-	-
Persons receiving both FAP & supplementation	1.2	1.3	1.5	1.7	1.9
Adult category recipients	1.2	1.3	1.3	1.4	1.4
Totals, Administration revision	11.9	11.7	11.5	11.4	11.1
Under Current Law:					
AFDC recipients	2.0	2.3	2.6	2.9	3.3
Adult category recipients	1.1	1.2	1.2	1.3	1.3
Totals, Current Law	3.1	3.5	3.8	4.2	4.6
<u>Recipients in Female-Headed Families</u>					
Under Administration revision:					
Persons receiving FAP only	3.2	3.2	3.2	3.2	3.2
Persons receiving State supplement only	1.9	2.6	3.4	4.2	5.1
Persons receiving both FAP & supplementation	5.4	5.6	5.8	6.1	6.4
Adult category recipients	2.1	2.2	2.3	2.4	2.5
Totals, Administration revision	12.5	13.5	14.6	15.8	17.2
Under Current Law:					
AFDC recipients	7.6	8.5	9.5	10.7	12.0
Adult category recipients	2.1	2.2	2.3	2.4	2.5
Totals, Current Law	9.7	10.7	11.8	13.1	14.5

TABLE 4

Value of Work to Family with \$3000 of Earnings,
Selected Cities

	Total money and in-kind income ^{1/} for a family headed by a woman with --		Net in- crease in family income	Value of each dollar earned
	<u>No earnings</u>	<u>Earnings of \$3000</u>		
1. <u>Phoenix, Arizona</u>				
Present law	\$2,649	\$4,521	\$1,872	62¢
H. R. 16311	2,649	4,439	1,790	60¢
Administration revision	2,854	3,708	854	28¢
2. <u>Wilmington, Delaware</u>				
Present law	3,271	5,387	2,116	71¢
H. R. 16311	3,271	5,267	1,996	67¢
Administration revision	3,443	4,128	685	23¢
3. <u>Chicago, Illinois</u>				
Present law	4,522	6,134	1,612	54¢
H. R. 16311	4,522	5,654	1,132	38¢
Administration revision	4,011	4,822	811	27¢
4. <u>New York, New York</u>				
Present law	5,708	7,512	1,804	60¢
H. R. 16311	5,708	7,032	1,324	44¢
Administration revision	4,540	5,452	912	30¢

^{1/} Excludes public housing.

APPENDIX C

(This Appendix contains material requested from the Department of Health, Education, and Welfare, during hearings held in July. The material was received too late to be included at the point where the request was made)

(Departmental response to material requested by Senator Jordan at page 446)

SELECTED DATA ON FEDERAL MANPOWER PROGRAMS

A limited grouping of Federal programs is intended to influence directly the quality and composition of the work force by increasing the skills and employment opportunities of individuals in the work force, or those who desire to be in it but who are vocationally unprepared or face other barriers to employment. Generally the programs: (1) operate outside the normal educational processes; (2) provide services for periods of less than 1 year; (3) provide skill training and job opportunities for nonprofessional jobs; and (4) are targeted to the disadvantaged sector of the population.

The following table shows Federal manpower obligations and new enrollments by administering agency and program for fiscal year 1969, the last year for which actual data is available:

Agency and program	Amount (millions)	New enrollees not previously served (thousands)
Department of Labor:		
Jobs in the business sector/regular on-the-job training.....	\$232	136
Manpower Development Training Act, institutional.....	233	135
Job Corps.....	278	53
Neighborhood Youth Corps, in school.....	49	84
Neighborhood Youth Corps, summer.....	154	345
Neighborhood Youth, Corps, out of school.....	124	75
New Careers.....	18	4
Operation Maintenance.....	41	11
Concentrated employment program.....	114	127
Work incentive program ¹	115	81
Employment Service.....	317	(²)
Manpower salaries and expenses.....	73	(²)
Bureau of Apprenticeship Training, program direction.....	8	(²)
Bureau of Labor Statistics, labor market data.....	9	(²)
Office of Federal Contract Compliance.....	1	(²)
Total.....	1,766	1,051
Office of Economic Opportunity:		
Community action agencies manpower.....	28	11
Experiments and demonstration.....	7	(²)
Total.....	35	11
Department of Health, Education, and Welfare:		
Vocational rehabilitation.....	389	368
Title V work experience.....	6	11
Social services manpower.....	40	57
Foster grandparents.....	9	1
Total.....	444	437

¹ Jointly administered by Department of Labor and Department of HEW.

² Enrollment concept not applicable.

(Departmental response to material requested by Senator Jordan at page 446)

ESTIMATED UNIVERSE OF NEED

The 10.9 million adults who were poor in 1968, of whom about half were working but earning less than a poverty wage, is a rough representation of the universe of need for manpower programs. The universe actually may be considerably larger, since many earn little more than the poverty standard and are vulnerable to skill obsolescence and unemployment. However, many poor adults are not candidates for manpower services because of health, age, and conflicting family responsibilities.

(Departmental response to material requested by Senator Byrd at page 456)

COMPARISON OF INCOME AVAILABLE TO A MALE-HEADED FAMILY OF 4 IN NEW YORK CITY WHEN FAMILY HEAD IS EMPLOYED FULL-TIME AT \$2.23 PER HOUR, WHEN HEAD IS UNEMPLOYED AND FAMILY IS ELIGIBLE FOR BENEFITS UNDER CURRENT LAW, AND WHEN FAMILY IS ELIGIBLE FOR BENEFITS UNDER REVISED FAP

Response to Senator Byrd's request for comparison of income available to a male-headed family of four in New York, when family head is employed full time at \$2.23 per hour, when head is unemployed and family is eligible for benefits under current law, and when family is eligible for benefits under revised Family Assistance Plan.

A family with head earning \$2.23 per hour would have annual net earnings of \$3756 assuming work related expenses at current average state allowance.

The following table compares the cash, food, and medical benefits available under current law and revised Family Assistance for the same male-headed family—of four with no earned income. It assumes that the male meets work/training requirements. If the man refused to register or to accept suitable work or training, the Family Assistance benefit would be reduced by \$500 to \$1,100.

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON MALE-HEADED FAMILIES WITH NO OTHER INCOME IN NEW YORK, N.Y., UNDER CURRENT LAW, REVISED FAMILY ASSISTANCE, AND EMPLOYED FULL TIME

	Family assist- ance	AFDC- UF	Total net income	Total net income less medical contribu- tions ¹	Total net cash and food	Average medical vendor payments ² to health services for AFDC families	Medical insurance ³ Premium value	Subsidy
Current law.....		\$3,756	\$3,756		\$4,068	\$1,153		
Father employed full time ⁴			3,756		3,756			
Revised family assist- ance.....	\$1,600	(9)	1,600	\$1,600	2,440		\$500	\$500

¹ Revised family assistance.

² Current law.

³ Maximum AFDC-UF grant for a family of 4 with no other income.

⁴ Medical vendor payments and medical insurance premium do not represent cash income available to families, and should not be counted as part of total family income.

⁵ Father employed full time 40 hours per week at \$2.23 per hour, less work related expenses equal to average State allowance.

⁶ Assumes a male-headed family not currently receiving AFDC-UF. A family currently receiving UF would be grandfathered to protect from loss.

(Departmental response to material requested by Senators Hansen and Miller at pages 464 and 488)

PROJECTED DECREASES IN COST OF FAP

The additional funds to be authorized under H.R. 16311 for the training of welfare recipients will lead to decreases in welfare payments as the earning capacities of recipients improve. Although as the Department of Labor has

indicated, to predict accurately the extent of such benefit reductions is impossible, a rough idea of the magnitude of the savings can be obtained.

The Administration is committed to the provision of 75,000 job upgrading slots and 300,000 training slots (150,000 from WIN and 150,000 new slots) annually for Family Assistance recipients. When these slots are completely filled, they should generate annual reductions in FAP payments of an estimated \$200 million. The rationale for this estimate is explained in the following paragraphs.

We assume that the job upgrading effort would result in an average wage increase of \$500 annually per family, thereby reducing each participating family's annual FAP benefit by \$250. Multiplying that unit benefit reduction by the number of upgrading slots (75,000) yields a total benefit reduction due to job upgrading of \$18 million annually.

For the 300,000 FAP family heads in training slots, the following assumptions were made in estimating the potential impact on benefit payments:

- (1) 40% of the trainees (120,000 per year) would be placed in jobs;
- (2) the average wage would be \$2.15 hourly, or about \$4500 per year;
- (3) trainees would have negligible non-welfare income before placement;
- (4) trainees would be representative of the overall FAP population with respect to sex and number of children.

Under these assumptions, annual FAP payments would decrease by \$174 million, and the Federal share of State supplemental payments would be reduced by another \$8 million. The total benefit reduction as a direct result of training FAP recipients and placing them in jobs would thus be \$182 million annually.

The total reduction in the Federal cost of benefit payments would be \$200 million annually—\$18 million from job upgrading and \$182 million from training.

(Departmental response to material requested by Senator Hansen at page 467)

ESTIMATING COSTS OF FAP

As indicated on page 22 of the Senate Finance Committee Print, we believe that the cost estimates are on the "cautious and conservative" side. This is true even though the estimating methodology does not explicitly allow for the benefits that might be paid to a family whose annual income was above the regular Family Assistance income eligibility limits but whose income was low enough in one or more quarters to entitle them to benefits for those quarters. Several factors compensate for what might otherwise be considered an estimating problem. First (and parallel to the above), the full \$720 earnings deduction is assigned to all families although many have their earnings concentrated in one or two quarters and are entitled to only a \$180 or \$360 deduction. Benefits for such families, therefore, would be less than we have actually estimated. Second, although only families with assets below \$1,500 would be eligible for Family Assistance benefits the estimating procedure does not apply this "assets test". Families who experience losses in income from, for example, unemployment and might otherwise be eligible for benefits during a part of their year are likely not to be eligible because of their assets. Third, Section 442(C)(3) provides that the Secretary may, in accordance with regulation, assign income from one period to another. One of several purposes of this provision is to preclude from receiving benefits certain types of seasonal workers whose annual incomes are well in excess of normal FAP eligibility limits. These three factors are specifically related to the problem raised. When combined with other, more general factors that have been mentioned before—such as predicated estimates on the assumption of 100% participation—it can be safely said the estimating procedure is essentially conservative.

(Departmental response to material requested by Senator Miller at page 485)

FAMILY ASSISTANCE WITH ALLOWANCE DIFFERENTIALS FOR PLACE OF RESIDENCE

The cost and coverage has been determined for a modified Family Assistance Plan which has allowance differentials related to place of residence. The Standard Metropolitan Statistical Area (SMSA) was used as the basis for determining

FAP payment levels. If a family lives in an SMSA, they are treated under the Plan specified in H.R. 16311. However, a family living outside an SMSA has its eligibility and payment determined under a Plan which sets basic allowances at 85% of the standards set in H.R. 16311. Thus, a family of four with no income residing in the Louisville SMSA would be eligible for an annual FAP payment of \$1600; a family living in a non-metropolitan part of Kentucky could receive only \$1360.

The SMSA was chosen as the unit upon which to base allowance differentials for two reasons:

(1) residence either inside or outside an SMSA is more likely to reflect cost-of-living variations for most people than are the alternative bases for making such a division of the population, such as urban/rural or farm/non-farm;

(2) SMSA's are groups of counties (townships in New England) and thus constitute convenient units from a program administration viewpoint.

The following table compares the costs and coverage of this modified FAP with H.R. 16311:

COSTS AND COVERAGE OF FAP MODIFIED FOR ALLOWANCE DIFFERENTIALS RELATED TO PLACE OF RESIDENCE, 1971

	Family assistance payments (millions)	Program coverage (thousands)	
		Families	Recipients
Modified FAP:			
Families in SMSA's.....	\$2,234	2,006	9,513
Families not in SMSA's.....	1,304	1,393	7,522
Total, modified FAP.....	3,538	3,399	17,035
Total, H.R. 16311.....	4,003	3,678	18,458
Total decreases under modified FAP.....	465	279	1,423
Percent of decrease.....	11.6	7.6	7.7

(Departmental response to material requested by Senator Miller at page 486)

PROJECTED FAP RECIPIENTS, 1971-76

While the projection for total recipients under all welfare categories does show an increase from 1971 to 1976 of 1.5 million people, the Family Assistance caseload is projected to decline over that period. This trend may be seen in the

accompanying table.¹ The Family Assistance population (those receiving FAP only, plus those receiving both FAP and State supplemental payments) totals 19.4 million recipients in 1971, but only 16.3 million recipients in 1976. This overall trend results from the separate assumptions on which the projection is based. The first is that the "FAP-only" group, most of whom work, will decline as earnings continue to increase. Secondly, the "FAP-State supplement" group, many of whom cannot work, were projected to increase in a pattern similar to recent AFDC caseload trends. The net effect of these two assumptions is a FAP caseload which decreases by about 3% per year.

¹ A similar table appeared in the Senate Finance Committee Print of June 1970 (Table 4-B, page 24). That table contained an incorrect projection of the "persons receiving FAP only." That group had originally been projected to decline at the same rate as the total FAP population. However, families receiving family assistance with no State supplementation are generally intact families headed by working males. These families will move out of the FAP-eligible population faster since they are more directly affected by wage increases. The following chart shows the incorrect projection appearing in the Committee Print, along with the corrected data:

[In millions]

	1971	1972	1973	1974	1975	1976
Total recipients:						
Under H.R. 16311:						
Persons receiving FAP only.....	13.1	12.2	11.3	10.2	9.1	8.0
Persons receiving State supplement only.....	1.2	1.9	2.6	3.4	4.2	5.1
Persons receiving both FAP and supplementation.....	6.3	6.6	6.9	7.3	7.8	8.3
Adult category recipients.....	3.2	3.3	3.5	3.6	3.8	3.9
Total, H.R. 16311.....	<u>23.8</u>	<u>24.0</u>	<u>24.3</u>	<u>24.5</u>	<u>24.9</u>	<u>25.3</u>
Under current law:						
AFDC recipients.....	8.5	9.6	10.8	12.1	13.6	15.3
Adult category recipients.....	3.1	3.2	3.4	3.5	3.7	3.8
Total, current law.....	<u>11.6</u>	<u>12.8</u>	<u>14.2</u>	<u>15.6</u>	<u>17.3</u>	<u>19.1</u>
Persons receiving FAP only:						
Incorrect projection in committee print.....	13.1	12.7	12.3	11.9	11.5	11.0
Correct projection.....	13.1	12.2	11.3	10.2	9.1	8.0

(Departmental response to material requested by Senator Williams at page 568)

Contributions shown are equivalent to the amounts of reduction in income resulting from recipients' contributions to the family health insurance premium.

(TABLES 1-8 FOLLOW:)

TABLE 1.—FAMILY ASSISTANCE, ADMINISTRATION'S JUNE REVISIONS—BENEFITS POTENTIALLY AVAILABLE TO A 4-PERSON FEMALE-HEADED FAMILY IN PHOENIX, ARIZ.

Earnings	Benefits potentially available to the majority of AFDC recipients in Phoenix							Benefits potentially available to the minority of AFDC recipients in Phoenix					
	Family assistance ¹	State supplement* ²	Total gross cash income	Total Federal, State, and social security taxes ^{3 4 5}	Cash income less taxes	Net cash income less FHIP contributions	Proposed schedule food stamp bonus ⁶	Total net cash and food	Public housing bonus under proposed 1970 Housing Act** ⁷	Total net cash, food, and public housing	Family health insurance ⁸		Total
											Premium value***	Subsidy	
0	\$1,600	\$608	\$2,208		\$2,208	\$2,178	\$646	\$2,824	\$1,118	\$3,942	\$500	\$470	\$4,412
\$720	1,600	608	2,928	\$37	2,891	2,825	417	3,242	974	4,216	500	434	4,650
\$1,000	1,460	613	3,073	52	3,021	2,944	371	3,315	945	4,260	500	423	4,683
\$2,000	960	653	3,613	104	3,509	3,378	199	3,577	837	4,414	500	369	4,783
\$3,000	460	694	4,154	156	3,998	3,813	27	3,840	711	4,551	500	315	4,866
\$4,000		707	4,707	246	4,461	4,189		4,189	573	4,762	500	228	4,990
\$5,000		313	5,313	457	4,856	**** 4,433		4,433	422	4,855	500	77	4,932
\$6,000			6,000	689	5,311	**** 5,311		5,311	250	5,561			5,561
\$7,000			7,000	944	6,056	**** 6,056		6,056		6,056			5,056
\$8,000			8,000	1,181	6,819	**** 6,819		6,819		6,819			6,819

*State supplement assumes "grandfathered" recipient hence the irregular pattern of State payment. For new recipients, State benefits would steadily decline.

**The majority of AFDC recipients in Phoenix do not live in public housing and only approximately 6 percent of FAP families nationwide will live in public housing.

***Medical insurance subsidy does not represent cash income available to families, and should not be counted as part of total family income.

****Participation in the health plan has been assumed at all levels of eligibility, although coverage at higher income levels is optional, and it is likely that many families at the higher contribution levels will opt for lower private coverage. No deduction for private health insurance has been made for families not receiving family health insurance plan subsidy, although such families would typically purchase private coverage.

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes. House passed provisions of calculating State payments apply (sec. 452) in Phoenix and Wilmington, where "grandfathered" recipients are assumed. State supplementary grants in New York and Chicago are based on States' reported general maximum grants.

³ Federal income taxes computed on the schedule effective in 1972, assuming no surcharge.

⁴ State taxes are computed on current State schedules.

⁵ Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

⁶ Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

⁷ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rents assumed are as follows:

	2 bedrooms
Phoenix.....	\$1,500
Wilmington.....	1,020
Chicago.....	1,920
New York City.....	1,680

⁸ The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500, and 25 percent of gross income from \$4,500 to \$5,620; full participation is assumed. Contributions are deducted from net family income in column as marked.

TABLE 2.—FAMILY ASSISTANCE, ADMINISTRATION'S JUNE REVISIONS—BENEFITS POTENTIALLY AVAILABLE TO A 4-PERSON FEMALE-HEADED FAMILY IN WILMINGTON, DEL.

Earnings	Benefits potentially available to 71 percent of current AFDC recipients in Wilmington								Benefits potentially available to 29 percent of current AFDC recipients in Wilmington				
	Family assistance ¹	State supplement* ²	Total gross cash income	Total Federal, State, and social security taxes ^{3 4 5}	Cash income less taxes	Net cash income less FHIP contributions	Proposed schedule food stamp bonus ⁶	Total net cash and food	Public housing bonus under proposed 1970 Housing Act** ⁷	Total net cash, food, and public housing	Family health insurance ⁸		Total
											Premium value***	Subsidy	
\$0.....	\$1,600	\$188	\$1,788		\$1,788	\$1,779	\$780	\$2,559	\$722	\$3,281	\$500	\$491	\$3,772
\$720.....	1,600	188	2,508	\$37	2,471	2,426	551	2,977	578	3,555	500	455	4,010
\$1,000.....	1,460	328	2,788	52	2,736	2,677	462	3,139	522	3,661	500	441	4,102
\$2,000.....	960	828	3,788	104	3,684	3,535	144	3,679	322	4,001	500	351	4,352
\$3,000.....	460	852	4,312	156	4,156	3,955		3,955	192	4,147	500	299	4,446
\$4,000.....		664	4,664	249	4,415	**** 4,154		4,154	104	4,258	500	239	4,497
\$5,000.....		93	4,093	460	4,633	**** 4,265		4,265		4,265	500	132	4,397
\$6,000.....			6,000	699	5,301	5,301		5,301		5,301			5,301

*State supplement assumes "grandfathered" recipient, hence the irregular pattern of State payment. For new recipients, State benefits would steadily decline.

**Only 29 percent of all AFDC recipients in Wilmington live in public housing, and only 6 percent of FAP recipients nationwide will live in public housing.

***Medical insurance subsidy does not represent cash income available to families, and should not be counted as part of total family income

****Participation in the health plan has been assumed at all levels of eligibility, although coverage at higher income levels is optional and it is likely that many families at the higher contribution levels will opt for lower private coverage. No deduction for private health insurance has been made for families not receiving family health insurance plan subsidy, although such families would typically purchase private coverage.

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes. House passed provisions of calculating State payments apply (sec. 452) in Phoenix and Wilmington, where "grandfathered" recipients are assumed. State supplementary grants in New York and Chicago are based on States' reported general maximum grants.

³ Federal income taxes computed on the schedule effective in 1972, assuming no surcharge.

⁴ State taxes are computed on current State schedules.

⁵ Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

⁶ Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

⁷ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20- to 25-percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4-person families. The private annual gross rents assumed are as follows:

	2 bedrooms
Phoenix.....	\$1,500
Wilmington.....	1,020
Chicago.....	1,920
New York City.....	1,680

⁸ The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500, and 25 percent of gross income from \$4,500 to \$5,620; full participation is assumed. Contributions are deducted from net family income in column as marked.

TABLE 3.—FAMILY ASSISTANCE, ADMINISTRATION'S JUNE REVISIONS—BENEFITS POTENTIALLY AVAILABLE TO A 4-PERSON FEMALE-HEADED FAMILY IN CHICAGO, ILL.

Earnings	Benefits potentially available to 82 percent of current AFDC recipients in Chicago								Benefits potentially available to 18 percent of current AFDC recipients in Chicago				
	Family assistance ¹	State supplement ²	Total gross cash income	Total Federal, State, and social security taxes ^{3 4 5}	Cash income less taxes	Net cash income less FHIP contributions	Proposed schedule food stamp bonus ⁶	Total net cash and food	Public housing bonus under proposed 1970 Housing Act ⁷	Total net cash, food, and public housing	Family health insurance ⁸		Total
											Premium value ^{***}	Subsidy	
0	\$1,600	\$1,556	\$3,156		\$3,156	\$3,070	\$345	\$3,415	\$1,349	\$4,764	\$500	\$414	\$5,178
\$720	1,600	1,556	3,876	\$37	3,839	3,681	116	3,797	1,201	4,998	500	342	5,340
\$1,000	1,460	1,509	3,969	52	3,917	3,750	86	3,836	1,178	5,014	500	333	5,347
\$2,000	960	1,342	4,302	104	4,198	3,998		3,998	1,095	5,093	500	300	5,393
\$3,000	460	1,175	4,635	156	4,479	4,225		4,225	1,011	5,236	500	246	5,482
\$4,000		987	4,987	236	4,751	4,409		4,409	923	5,332	500	158	5,490
\$5,000		416	5,416	443	4,973	**** 4,524		4,524	816	5,340	500	51	5,391
\$6,000			6,000	669	5,331	**** 5,331		5,331	670	6,001			6,001
\$7,000			7,000	912	6,088	**** 6,088		6,088	420	6,508			6,508
\$8,000			8,000	1,134	6,866	**** 6,866		6,866	170	7,036			7,036
\$9,000			9,000	1,369	7,631	**** 7,631		7,631		7,631			7,631

*FAP does not raise AFDC grant level. Grant is higher than under current law only because current law adjusts the same standard (\$3,156) for rent as paid to public housing.

**Only 18 percent of all AFDC recipients in Chicago live in public housing, and only 6 percent of FAP families nationwide will live in public housing.

***Medical insurance subsidy does not represent cash income available to families, and should not be counted as part of total family income.

****Participation in the health plan has been assumed at all levels of eligibility although coverage at higher income levels is optional, and it is likely that many families at the higher contribution levels will opt for lower private coverage. No deduction for private health insurance has been made for families not receiving family health insurance plan subsidy, although such families would typically purchase private coverage.

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes. House passed provisions of calculating State payments apply (sec. 452) in Phoenix and Wilmington, where "grandfathered" recipients are assumed. State supplementary grants in New York and Chicago are based on States' reported general maximum grants.

³ Federal income taxes computed on the schedule effective in 1972, assuming no surcharge.

⁴ State taxes are computed on current State schedules.

⁵ Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

⁶ Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

⁷ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rents assumed are as follows:

	2 bedrooms
Phoenix.....	\$1, 500
Wilmington.....	1, 020
Chicago.....	1, 920
New York City.....	1, 680

⁸ The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500, and 25 percent of gross income from \$4,500 to \$5,620; full participation is assumed. Contributions are deducted from net family income in column as marked.

TABLE 4.—FAMILY ASSISTANCE, ADMINISTRATION'S JUNE REVISIONS—BENEFITS POTENTIALLY AVAILABLE TO A 4-PERSON FEMALE-HEADED FAMILY IN NEW YORK CITY, N.Y.

Earnings	Benefits potentially available to the majority of AFDC recipients in New York City								Benefits potentially available to 8 percent of current AFDC recipients in New York City		Family health insurance †		Total
	Family assistance †	State supplement * 2	Total gross cash income	Total Federal, State, and social security taxes 3 4 5	Cash income less taxes	Net cash income less FHIP contributions	Proposed schedule food stamp bonus †	Total net cash and food	Public housing bonus under proposed 1970 Housing Act ** 7	Total net cash, food, and public housing	Family health insurance †		
											Premium value ***	Subsidy	
0.....	\$1,600	\$2,156	\$3,756		\$3,756	\$3,610	\$154	\$3,764	\$989	\$4,753	\$500	\$354	\$5,107
\$720.....	1,600	2,156	4,476	\$37	4,439	4,221		4,221	811	5,032	500	282	5,314
\$1,000.....	1,460	2,109	4,569	52	4,517	4,280		4,280	788	5,068	500	263	5,331
\$2,000.....	960	1,942	4,902	104	4,798	4,478		4,478	705	5,183	500	180	5,363
\$3,000.....	460	1,775	5,235	156	5,079	4,675		4,675	621	5,296	500	96	5,392
\$4,000.....		1,587	5,587	237	5,350	4,858		4,858	533	5,391	500	8	5,399
\$5,000.....		1,016	6,016	460	5,556	**** 5,556		5,556	426	5,982			5,982
\$6,000.....		459	6,459	703	5,756	**** 5,756		5,756	315	6,071			6,071
\$7,000.....			7,000	971	6,029	**** 6,029		6,029	180	6,209			6,209
\$8,000.....			8,000	1,219	6,781	**** 6,781		6,781		6,781			6,781
\$9,000.....			9,000	1,486	7,514	**** 7,514		7,514		7,514			7,514

*FAP does not raise AFDC grant level. Grant is higher than under current law only because current law adjusts same standard (\$3,756) for rent as paid to public housing.

**Only 8 percent of all AFDC recipients in New York City live in public housing, and only 6 percent of FAP families nationwide will live in public housing.

¹Medical insurance premium does not represent cash income available to families and should not be counted as part of total family income.

****Participation in the health plan has been assumed at all levels of eligibility, although coverage at higher income levels is option 1, and it is likely that many families in the higher contribution levels will opt for lower private coverage. No deduction for private health insurance has been made for family health insurance subsidy, although such families would typically purchase private coverage.

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes. House passed provisions of calculating State payments apply (sec. 452) in Phoenix and Wilmington, where "grandfathered" recipients are assumed. State supplementary grants in New York and Chicago are based on States' reported general maximum grants.

³ Federal income taxes computed on the schedule effective in 1972, assuming no surcharge.

⁴ State taxes are computed on current State schedules.

⁵ Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

⁶ Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

⁷ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rents assumed are as follows:

	2 bedrooms
Phoenix.....	\$1,500
Wilmington.....	1,020
Chicago.....	1,920
New York City.....	1,680

⁸ The assumption here is that the family health insurance program would replace the present medical program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500, and 25 percent of gross income from \$4,500 to \$5,620; full participation is assumed. Contributions are deducted from net family income in column as marked.

TABLE 5.—FAMILY ASSISTANCE, ADMINISTRATION'S JUNE REVISIONS—BENEFITS POTENTIALLY AVAILABLE TO A 4-PERSON MALE-HEADED FAMILY IN PHOENIX, ARIZ.

Earnings	Benefits potentially available to 94 percent of FAP families nationwide						Benefits potentially available to only 6 percent of FAP families nationwide					
	Family assistance ¹	Total gross cash income	Total Federal, State, and social security taxes ²	Cash income less taxes	Net cash income less FHIP contributions	Proposed schedule food stamp bonus ^{3 6}	Net cash and food	Public housing bonus under proposed 1970 Housing Act ⁴	Total net cash, food, and public housing	Family medical insurance ⁵		Total
										Premium value [*]	Subsidy	
0	\$1,600	\$1,600		\$1,600	\$1,600	\$840	\$2,440	\$1,180	\$3,620	\$500	\$500	\$4,120
\$720	1,600	2,320	\$37	2,283	2,247	611	2,858	1,036	3,894	500	464	4,358
\$1,000	1,460	2,460	52	2,408	2,365	566	2,931	1,008	3,939	500	457	4,396
\$2,000	960	2,960	104	2,856	2,788	407	3,195	908	4,103	500	432	4,535
\$3,000	460	3,460	156	3,304	3,188	248	3,436	808	4,244	500	384	4,628
\$4,000		4,000	246	3,754	** 3,584	76	3,660	675	4,335	500	330	4,665
\$5,000		5,000	455	4,535	** 4,200		4,200	425	4,625	500	155	4,780
\$6,000		6,000	675	5,325	*** 325		5,325	175	5,500			5,500
\$7,000		7,000	912	6,088	*** 6,088		6,088		6,088			6,088
\$8,000		8,000	1,140	6,860	*** 6,860		6,860		6,860			6,860

* Medical insurance premium does not represent cash income available to families, and should not be counted as part of total family income.

** Participation in the health plan has been assumed at these levels, although coverage here is optional and it is likely that families at the higher contribution levels will opt for lower private coverage.

*** No deductions from gross income for private health insurance have been made for families not receiving family health insurance plan subsidy, although such families would typically purchase private coverage.

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st two persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

³ Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

⁴ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess

of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rents assumed are as follows:

	2 bedrooms
Phoenix.....	\$1,500
Wilmington.....	1,020
Chicago.....	1,920
New York City.....	1,680

⁵ The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500, and 25 percent of gross income from \$4,500 to \$5,620; full participation is assumed. Contributions are deducted from net cash income column.

TABLE 6.—FAMILY ASSISTANCE, ADMINISTRATION'S JUNE REVISIONS—BENEFITS POTENTIALLY AVAILABLE TO A 4-PERSON MALE-HEADED FAMILY * IN WILMINGTON, DEL.

Earnings	Benefits potentially available to 94 percent of FAP families nationwide						Benefits potentially available to only 6 percent of FAP families nationwide					Total
	Family assistance ¹	Total gross cash income	Total Federal, State, and social security taxes ²	Cash income less taxes	Net cash income less FHIP contributions	Proposed schedule food stamp bonus ³	Net cash and food	Public housing bonus under proposed 1970 Housing Act ⁴	Total net cash, food, and public housing	Family medical insurance ⁵		
										Premium value ^{**}	Subsidy	
0.....	\$1,600	\$1,600	.....	\$1,600	\$1,600	\$840	\$2,440	\$700	\$3,140	\$500	\$500	\$3,640
\$720.....	1,600	2,320	\$37	2,283	2,247	611	2,858	556	3,414	500	464	3,875
\$1,000.....	1,460	2,460	52	2,408	2,365	566	2,931	528	3,459	500	457	3,916
\$2,000.....	960	2,960	104	2,856	2,788	407	3,195	428	3,623	500	432	4,055
\$3,000.....	460	3,460	156	3,304	3,188	248	3,436	328	3,764	500	384	4,148
\$4,000.....	.....	4,000	245	3,755	*** 3,585	76	3,661	195	3,856	500	330	4,186
\$5,000.....	5,000	454	4,546	*** 4,201	4,201	4,201	500	155	4,356
\$6,000.....	6,000	677	5,323	**** 5,323	5,323	5,323	5,323

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*Assumes a male-headed family not currently receiving AFDC-UF. A family currently receiving UF would be "grandfathered" to protect from loss.

**Medical insurance premium does not represent cash income available to families, and should not be counted as part of total family income.

***Participation in the health plan has been assumed at these levels, although coverage here is optional and it is likely that many families at the higher contribution levels will opt for lower private coverage.

****No deductions from net income for private health insurance have been made for families not receiving family health insurance plan subsidy, although such families would typically purchase private coverage.

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

³ Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

⁴ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess

of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent, and on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4-person families. The private annual gross rents assumed are as follows:

	2 bedrooms
Phoenix.....	\$1,500
Wilmington.....	1,020
Chicago.....	1,920
New York City.....	1,680

⁵ The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500, and 25 percent of gross income from \$4,500 to \$5,620; full participation is assumed. Contributions are deducted from net cash income column.

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TABLE 7.—FAMILY ASSISTANCE, ADMINISTRATION'S JUNE REVISIONS—BENEFITS POTENTIALLY AVAILABLE TO A 4-PERSON MALE-HEADED FAMILY * IN CHICAGO, ILL.

Benefits potentially available to 94 percent of FAP families nationwide								Benefits potentially available to only 6 percent of FAP families nationwide				
Earnings	Family assistance ¹	Total gross cash income	Total Federal State, and social security taxes ²	Cash income less taxes	Net cash income less FHIP contributions	Proposed schedule food stamp bonus ³	Net cash and food	Public housing bonus under proposed 1970 Housing Act ⁴	Total net cash, food, and public housing	Family medical insurance ⁵		Total
										Premium value ^{**}	Subsidy	
0	\$1,600	\$1,600		\$1,600	\$1,600	\$840	\$2,440	\$1,600	\$4,040	\$500	\$500	\$4,540
\$720	1,600	2,320	\$37	2,283	2,247	611	2,858	1,456	4,314	500	464	4,778
\$1,000	1,460	2,460	52	2,408	2,365	566	2,931	1,428	4,359	500	457	4,816
\$2,000	960	2,960	104	2,856	2,788	407	3,195	1,328	4,523	500	432	4,955
\$3,000	460	3,460	156	3,304	3,188	248	3,436	1,228	4,664	500	384	5,048
\$4,000		4,000	236	3,764	*** 3,594	76	3,670	1,095	4,765	500	330	5,095
\$5,000		5,000	441	4,559	*** 4,214		4,214	845	5,059	500	155	5,214
\$6,000		6,000	655	5,345	**** 5,345		5,345	595	5,940			5,940
\$7,000		7,000	880	6,120	**** 6,120		6,120	345	6,465			6,465
\$8,000		8,000	1,093	6,907	**** 6,907		6,907	95	7,002			7,002
\$9,000		9,000	1,320	7,680	**** 7,680		7,680		7,680			7,680

* Assumes male-headed family not currently receiving AFDC-UF. A family currently receiving AFDC-UF would be "grandfathered" to protect from loss.

** Medical insurance subsidy does not represent cash income available to families, and should not be counted as part of total family income.

***Participation in the health plan has been assumed at these levels, although coverage here is optional and it is likely that families at the higher contribution levels will opt for lower private coverage.

****No deductions from net income for private health insurance have been made for families not receiving family health insurance plan subsidy, although such families would typically purchase private coverage.

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

³ Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

⁴ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess

of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses. The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rents assumed are as follows:

	2 bedrooms
Phoenix.....	\$1,500
Wilmington.....	1,020
Chicago.....	1,920
New York City.....	1,680

⁵ The assumption here is that the family health insurance program would replace the present medical program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500, and 25 percent of gross income from \$4,500 to \$5,620; full participation is assumed. Contributions are deducted from net cash income column.

TABLE 8.—FAMILY ASSISTANCE, ADMINISTRATION'S JUNE REVISIONS—BENEFITS POTENTIALLY AVAILABLE TO A 4-PERSON MALE-HEADED FAMILY* IN NEW YORK CITY, N.Y.

Earnings	Benefits potentially available to 94 percent of FAP families nationwide						Benefits potentially available to only 6 percent of FAP families nationwide					
	Family assistance ¹	Total gross cash income	Total Federal State, and social security taxes ²	Cash income less taxes	Net cash income less health insurance contributions	Proposed schedule food stamp bonus ³	Net cash and food	Public housing bonus under proposed 1970 Housing Act ⁴	Total net cash, food, and public housing	Family medical insurance ⁵		Total
									Premium value **	Subsidy		
0	\$1,600	\$1,600		\$1,600	\$1,600	\$840	\$2,440	\$1,360	\$3,800	\$500	\$500	\$4,300
\$720	1,600	2,320	\$37	2,283	2,247	611	2,858	1,216	4,074	500	464	4,538
\$1,000	1,460	2,460	52	2,408	2,365	566	2,931	1,188	4,119	500	457	4,576
\$2,000	960	2,960	104	2,856	2,788	407	3,195	1,088	4,283	500	432	4,715
\$3,000	460	3,460	156	3,304	3,188	248	3,436	988	4,424	500	384	4,808
\$4,000		4,000	237	3,763	***3,593	76	3,669	855	4,524	500	330	4,854
\$5,000		5,000	458	4,542	***4,197		4,197	605	4,802	500	155	4,957
\$6,000		6,000	689	5,311	****5,311		5,311	355	5,666			5,666
\$7,000		7,000	939	6,061	****9,061		6,061	105	6,166			6,166
\$8,000		8,000	1,178	6,822	****6,822		6,822		6,822			6,822
\$9,000		9,000	1,437	7,563	****7,563		7,563		7,563			7,563

* Assumes a male-headed family not currently receiving AFDC-UF. A family currently receiving UF would be "grandfathered" to protect from loss.

**Medical insurance premium does not represent cash income available to families, and should not be counted as part of total family income.

***Participation in the health plan has been assumed at these levels, although coverage here is optional and it is likely that many families at the higher contribution levels will opt for lower private coverage.

****No deductions from net income for private health insurance have been made for families not receiving family health insurance plan subsidy, although such families would typically purchase private coverage.

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

³ Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

⁴ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess

of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rents assumed are as follows:

	2 bedrooms
Phoenix.....	\$1,500
Wilmington.....	1,020
Chicago.....	1,920
New York City.....	1,680

⁵ The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500, and 25 percent of gross income from \$4,500 to \$5,620; full participation is assumed. Contributions are deducted from net cash income column.

(Departmental response to material requested by Senator Curtis at page 589)

ESTIMATED COST OF SENATOR MCCARTHY'S, S. 3780

Welfare reform legislation introduced by Senator Eugene McCarthy (S. 3780) would provide an annual allowance of \$5,500 to a family of four with no other income. The following chart shows HEW's estimate of this bill's costs and coverage for 1971 and 1976:

COSTS AND COVERAGE OF S. 3780

Data for—	Program costs (billions)	Program coverage (millions)	
		Households	Recipients
1971.....	\$55.8	29.4	97.8
1976.....	42.8	22.1	69.8

(Departmental response to material requested by Senator Miller at page 597)

ALTERNATIVES PRESENTED IN THE EARNINGS DISREGARD

The structure of the Federal portion of Family Assistance as now proposed is a basic allowance of \$1600 with no "tax" on the first \$720 of earnings and a "tax" of 50 percent on all earnings above \$720. As the following example will demonstrate, the use of a work expense exemption which replaces the \$720 earnings disregard with one which increase with the level of earnings will not change the basic structure of FAP.

Instead of the flat exemption of \$720, we could allow a flat exemption of only \$360 plus an exemption which increases with earned income, e.g. by one-tenth of all earned income above \$360. The effect of such a modification in the exemption is that the FAP recipient has only \$360 exempt from "taxation" instead of \$720, and pays a "tax" of 45¢¹ on every dollar earned above \$360 instead of a "tax" of 50¢ on every dollar above \$720. It is clear that the *basic structure* of FAP has not been altered at all, although the "tax" rate and "tax-exempt" income level have both been lowered. All proposals for work expense disregards which permit some exemptions independent of the level of income will generate exactly the same *basic structure* for FAP.

The flat exemption of \$720 could be eliminated completely and replaced with an exemption completely determined by the amount of earnings. For example, the exemption could be set at 20% of earnings. A work expense exemption strictly proportional to income results in the "tax rate" on earned income being reduced (in this case by 20%, from 50% to 40%) and the elimination of an income range in which no "taxes" are paid. It would be simpler to produce this result directly by reducing the "tax" rate to the desired level and eliminating any exemptions for work expenses.

In this context it should be noted that work expenses are not directly related to income level, and thus a structure for FAP which implicitly assumes proportionality is inequitable and may introduce some disincentive effects. In addition to income, work expenses are dependent upon the number of family members who are in the labor force, the number of days that these people are in the labor force, and the character of the occupations in which they are engaged.

Present practice is generally to allow actual work expenses. This is administratively cumbersome and inefficient; the earnings disregard achieves much of the intent of an actual work expense allowance while eliminating the administrative complexities of present procedures.

(Departmental responses to material requested by Senator Miller at page 599)

OPTIONS FOR REDUCING WELFARE ROLLS

During the July hearings before the Senate Finance Committee, a staff report indicated that FAP and the adult assistance programs would cover 24% of Kentucky's total population. This figure was based on an erroneous estimate of the State's population supplied by the Census Bureau. Using the correct population figure, we would estimate that 16% would be covered by these programs.

¹The tax rate is 50% of earnings over the exempt amount; however, the exemption increases by 10% of earnings, thereby reducing the tax rate by 10% (from 50% to 45%).

If it were desirable to reduce this eligibility rate to 12%, or one out of eight Kentucky residents, there would be a variety of ways to accomplish such a reduction. All of these alternatives would have disadvantages, however. A reduction of the basic allowance would have to be rather significant—say from \$1600 to \$1200—to cut eligibility to 12% of total population. Raising the tax rate from 50% to 60% would have the desired effect, but at the price of reduced work incentives. A split allowance scheme (e.g., \$1600 for SMSA families, \$1360 for non-SMSA families) moves in the right direction, but non-SMSA allowances would probably have to be set at about 60% of SMSA allowances in order to have a large reduction in coverage.

Of course, actual participants in Kentucky should be much less than 16% of the total population, since participants will be less than 100% of eligibles. Participants would probably number no more than 10%–12% of the total population. Participants in existing welfare programs constitute about 6% of Kentucky's total population.

NUMBER ELIGIBLE FOR FAMILY ASSISTANCE TO RECEIVE LESS THAN \$100 PER MONTH

Of the 3,678,000 families estimated as eligible for Family Assistance benefits in 1971, 207,000 or 5.6% would be eligible for annual payments of \$100 or less. There would be 975,000 persons in these families or 5.3% of the 18,458,000 total persons in families eligible for benefits.

(Departmental response to material requested by Senator Miller at page 601)

OPTIONS FOR REDUCING THE NUMBER OF FAMILY ASSISTANCE RECIPIENTS, INCLUDING INCREASING THE INCOME ALLOWANCES UNDER THE FEDERAL INCOME TAX STRUCTURE

There are limitations to the use of increasing the deductions and exemptions under the Federal Income tax for low income families who are potential Family Assistance recipients. The Administration has proposed, for the purposes of calculating eligibility and payment levels under Family Assistance and State supplements, that income be counted *net* of Federal income taxes. This amendment was submitted in order to reduce the effective benefit reduction rate and thereby increase incentives to earn more. The result is that families receiving Family Assistance only receive a benefit that is higher by 50 percent of their tax liability.

This amendment will add very few families to the Family Assistance caseload because of the new Federal income tax provisions which will be in effect in 1972. These provisions raise the level at which income is taxable to \$3,800 for a family of four, assuming no surcharge. Therefore, for families receiving solely Family Assistance, only the range of earned income between \$3,800 and \$3,920 will be taxable, and only a few families above \$3,920 will be made eligible for Family Assistance because of this deduction. The cost of this change is small, but the work incentive effects could outweigh these costs.

The provision for deduction of Federal taxes from income would also be applied to recipients of State supplementary payments. The Federal cost of this provision (including the deduction under Family Assistance) is estimated at approximately \$20 to \$40 million in 1972. This provision seems especially important, however, in view of the higher reduction rate applied to benefits under State supplement plans—67 percent as opposed to 50 percent under Family Assistance. Federal income taxes rise more sharply in the range of income above the Family Assistance cut-off: for example, a woman qualifying as head of household with three children would pay an estimated \$28 at \$1,000 of earnings, but \$336 at \$6,000. We feel that the added cost and the slightly greater caseload which this provision may entail will pay off in terms of increased work effort and a lower marginal rate.

Further increasing the exemptions and deductions under the Federal income tax, of course, is beyond the jurisdiction of HEW but the potentially high cost of lost revenues would have to be weighed carefully against the objective of reducing Family Assistance caseloads.

Since we have not proposed to allow deductions for Social Security taxes paid, elimination of contributions to Social Security for low income persons would not affect Family Assistance costs or caseloads. This step would be undesirable for other reasons, however, for it would undermine the conception of Social Security as a contributory, earnings-related plan to provide for a worker's retirement, disability, or death.

Other options for reducing the Family Assistance caseload have been discussed at other points in the record. These include consideration of establish-

ing a different poverty line for rural and urban recipients (see insert on page 1157), reduction of the basic allowance and increasing the "tax" rate on earnings (page 1157, using Kentucky as an example) and elimination of recipients eligible for less than a minimum payment (page 1157).

(Departmental response to material requested by Senator Williams at page 705)

INCONSISTENCY IN THE OVERPAYMENT PROVISIONS

The provision relating to the treatment of overpayments under Part D (Section 446(b)) and the provision relating to overpayments under the adult categories (Section 1606) are inconsistent. This is due to the fact that the phrase "with a view to avoiding penalizing members of the family who were without fault in connection with the overpayment" was deleted from Section 446(b) in the Administration's revision but retained in Section 1606.

The result is that an individual's fault in creating the overpayment will be a factor in determining whether recovery will be made with respect to the adult categories but it will not be a factor with respect to recovery of FAP overpayments. This would mean that we will consider waiving recovery of Title XVI overpayments only when the individual was blameless, whereas we will consider waiving recovery of FAP overpayments in all cases, regardless of whether the recipient willfully misinformed us or failed to inform us of the event causing the overpayment.

We intend to recommend that a "without fault" provision be reinserted in Section 446(b) and identical language be substituted for the provision in Section 1606. A common "without fault" provision is essential to both sections since the other requirements (i.e., "defeat the purposes of this title, or against equity or good conscience") will be met in almost all cases.

We would not retain the language currently in Section 1606 which implies that family members who were without fault would continue to receive payment, (i.e., "with a view to avoiding penalizing individuals who were without fault"). Such an interpretation would, in effect, penalize a family for timely reporting, thereby creating strong disincentives to report events which affect payment.

(Departmental response to material requested by Senator Williams at page 708)

FEDERAL MATCHING FOR ADULT CATEGORY PAYMENT LEVELS

Section 1604, which permits the Secretary to set a maximum on the adult category payment levels that would be subject to Federal matching, is intended to give the Federal Government some element of fiscal control over the program, rather than leaving expenditure solely up to the States' determination. Such a ceiling on matching now affects a number of States under current law.

The Secretary has not yet made a determination on exactly what this matching limit should be. However, the estimates for increased spending on the adult programs to which the Administration is committed have assumed that the ceiling would be above the average payment level in all States for the first year under the new law.

(Departmental response to material requested by Senator Fannin at page 713)

EXPLANATION OF DIVERGENCES IN CERTAIN FIGURES

The demographic characteristics data prepared for families covered by the Family Assistance Plan as revised on June 10, 1970 will differ from the corresponding data for the House-passed bill (H.R. 16311) for several reasons. The most important reasons have to do with the population data bases and the estimating procedures used in assessing the two bills.

The data on recipients under H.R. 16311 as passed by the House were estimated by the application of an Urban Institute computer model to the 1967 Survey of Economic Opportunity. The survey data, which reflect incomes earned during calendar year 1966, were projected forward to 1971 and later years using growth factors for different population segments and different types of income. The model then estimated, for these projected populations, the extent of the Family Assistance Plan's coverage and the characteristics of covered families.

The recipient characteristics for the revised bill, on the other hand, were a product of a different data base and computer model. The data used were from the 1969 Current Population Survey and reflect 1968 incomes. These data were

also projected to 1971 and future years, but more refined growth factors were used than was the case with the prior estimates and additional female-headed families were added to eliminate apparent inconsistencies between the survey data and actual AFDC program statistics. This different data base was processed by a computer model developed by the Social Security Administration. While similar to the Urban Institute model, it is in several respects an improved version of that earlier model and should produce estimates of greater reliability.

Since the bulk of the June 10th revisions had little or no effect on FAP coverage, it appears that differences in the demography of families covered under the two bills are primarily a result of shifting the estimating process over to a more recent data base, using better projection techniques, and processing the data with a more precise estimating model.

(Departmental response to material requested by Senator Fannin at page 717)

ESTIMATED ADULT CATEGORY RECIPIENTS UNDER CURRENT LAW AND UNDER H.R. 16311

Category	Estimated average monthly caseload, fiscal year 1971	
	Current law	H.R. 16311
Old age assistance.....	2,131,100	2,204,400
Aid to the blind.....	81,400	84,200
Aid to the permanently and totally disabled.....	844,600	938,300
Total.....	3,057,100	3,226,900

No recent data are current available on the income distributions for the total populations of the disabled and the blind. The following table shows the distribution of the aged by income levels.

INCOME DISTRIBUTION FOR ALL PERSONS OVER AGE 65, 1967

TABLE 1.—INCOME SIZE: PERCENTAGE DISTRIBUTION OF AGED UNITS BY MONEY INCOME CLASS, 1967

Total money income	All units	Married couples	Nonmarried persons		
			Total	Men	Women
Number (in thousands):					
Total.....	15,779	5,989	9,789	2,356	7,434
Reporting on income.....	12,186	4,417	7,770	1,954	5,816
Percentage of units.....	100	100	100	100	100
Less than \$1,000.....	21	3	31	20	36
\$1,000 to \$1,499.....	19	6	26	23	27
\$1,500 to \$1,999.....	14	11	16	18	15
\$2,000 to \$2,499.....	10	12	10	15	8
\$2,500 to \$2,999.....	7	11	5	7	4
\$3,000 to \$3,499.....	6	10	3	4	3
\$3,500 to \$3,999.....	4	9	2	3	1
\$4,000 to \$4,999.....	6	11	3	4	2
\$5,000 to \$7,499.....	7	15	2	3	2
\$7,500 to \$9,999.....	3	7	1	2	1
\$10,000 to \$14,999.....	2	3	1	1	1
\$15,000 or more.....	1	2	1	1	1
Median income.....	\$1,828	\$3,373	\$1,306	\$1,692	\$1,227

Source: "Preliminary Findings from Social Security Survey of the Aged, 1968," U.S. Department of Health, Education, and Welfare (April 1970).

(Departmental response to material requested by Senator Miller at page 851)

CONSEQUENCES OF REFUSING TO PARTICIPATE IN WIN WITHOUT GOOD CAUSE

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
OFFICE OF THE SECRETARY,
Washington, D.C., August 27, 1970.

MR. TOM VAIL,
Chief Counsel, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR MR. VAIL: In response to your letter of August 12, 1970, we have prepared the attached memorandum for insertion in the record, as requested. The memorandum explains what happens to individuals who refuse participation in

WIN without good cause and indicates that we have no reason to believe that welfare agencies are not dealing with these individuals as required by the regulations.

Since disposal of these individuals is based on regulations which have specific provisions—as does the legislation—we have included the regulations in our presentation and have related disposition of various groups who would be included in the refusing to participate, to the regulations governing them.

Sincerely,

HOWARD COHEN,
*Deputy Assistant Secretary
for Welfare Legislation.*

Attachment.

For the record: What happens to individuals who refuse without good cause to accept work or training offered to them under WIN.

The matter of what happens to individuals reported statistically as having refused without good cause to accept work or training offered to them under WIN involves a number of different situations. D/HEW regulations governing the action of welfare agencies in such cases are based directly on the legislation which spells out the procedures. The regulations, 45 CFR 220.35(a) (6), (7), (8), and (10) are quoted below:

(6) (i) If and for so long as an individual described in and referred pursuant to subparagraph (1) (i) of this paragraph (2) has been determined by the Manpower Agency to have refused without good cause to participate in the Work Incentive Program or to accept a bona fide offer of employment in which he is able to engage;

(a) If such individual is a relative receiving AFDC, his needs will not be taken into account in determining the family's need for assistance, and assistance in the form of protective or vendor payments or of foster care will be made;

(b) If such individual is the only dependent child in the family, assistance for the family will be denied;

(c) If such individual is one of several dependent children in the family, assistance for such child will be denied and his needs will not be taken into account in determining the family's needs for assistance; and

(d) If such individual is not a recipient, his needs will not be taken into account in determining the family's need for assistance.

(ii) If an individual referred on a voluntary basis pursuant to subparagraph (1) (ii) of this paragraph (a) discontinues participation in the Work Incentive Program, he and his family are not subject to the provisions of subdivision (i) of this subparagraph (6).

(7) Each individual described in subparagraph (6) (i) of this paragraph (a) will, for a period of 60 days, be provided counseling or other services aimed at persuading him to participate in the Work Incentive Program or take employment in which he is able to engage.

(8) With respect to each individual described in subparagraph (6) (i) of this paragraph (a), the actions specified therein shall not be taken during the period of 60 days in which he is being provided the services referred to in subparagraph (7) of this paragraph, except that in the case of the individual described in subparagraph (6) (i) (a) of this paragraph (a), assistance in the form of protective or vendor payments will be made on behalf of him and his family.

(10) In the event an individual who has been referred to the Work Incentive Program refuses to accept employment which is offered to him by an employer, whether directly or through the employment service or the welfare agency, the determination as to whether the offer was bona fide or there was good cause to refuse the offer will be made only by the Manpower Agency (after providing opportunities for fair hearing) and will be binding on the welfare agency.

Several regulations warrant particular note in regard to the conclusion reached by the staff of the Senate Finance Committee, in the report titled "Material Related to Work and Training Provisions of Administration Revision of H.R. 16311" that "refusal to participate in WIN seldom results in loss of welfare payments."

1. The only AFDC cases which would be closed because of refusal to participate without good cause in WIN would be those having only one dependent child in an AFDC family who was the individual referred to WIN, and who refused

to return to WIN after 60-days of counseling by the welfare agency (220.35(a) (6) (b)). The figure of 200 for the number of AFDC cases terminated because of refusal to participate (on page 15 of the staff report) is not considered an unreasonable one for case closings under the limitations imposed by the legislation. However, the loss of welfare payments represented by this accounting is an understatement of the true loss of welfare payments (see number 3 below and the paragraph that follows it).

2. No sanctions are applicable to voluntary referrals who drop out of WIN for any reason (220.35(a) (6) (ii)). The statistics available on refusal to participate do not indicate how many individuals returned to welfare are mandatory referrals and how many are voluntary. However, 70% of WIN enrollments are AFDC mothers and a good many of these are voluntary (some 20 States refer mothers on a voluntary basis, including California which has the largest WIN program in the nation). It is likely that the statistics therefore include a large number of voluntary referrals against whom no sanctions are indicated and whose refusals would result in no loss of welfare payments.

3. Loss of welfare payments involves not only families who are terminated from public assistance because of the refusal of a sole dependent child to participate (as noted in point 1 above), but also those persons whose needs are removed from the family's welfare grant because of their refusal to participate (220.35(a) (6) (a, c, d)). Unfortunately, we do not have figures on the numbers of individuals in the latter group. However, the loss of welfare payments to this group should not be overlooked.

Persons whose names are returned to welfare as having refused to participate in WIN without good cause are discovered to be in various circumstances: Some have refused to enter the program or simply dropped out of it and got their own jobs (they will show up in AFDC statistics as cases closed because of increased income); some have moved away or dropped out of sight (they will show up in AFDC statistics as closed cases); some have remarried and are able to be supported by their new husbands (they will show up in AFDC statistics as closed cases because of increased income). All these closed cases naturally result in a cessation of welfare payments. Others have been returned and found to have become inappropriate (breakdown in health, family problems, etc.) and remain on welfare without sanctions; others are returned to labor after 60-days of counseling (Labor Department statistics show 1200 individuals re-entered referrals who remain on Welfare without sanctions and probably at a later date, when the situation which caused them to drop out is remedied, will return to WIN).

Although we do not have the complete picture of what happens to individuals returned to welfare agencies, we have some evidence that welfare agencies are dealing with the problem. Replies made to the staff of the House Committee on Ways and Means in response to a questionnaire sent to 29 States and local welfare agencies and Employment Service offices inquiring about WIN activities give description by the Employment Service of what happened to some individuals returned to welfare because of refusal to participate, and provide some insight into the complexities involved. Summaries of the replies made by the Employment Service (the question was not put to the welfare agencies) are given here for location in seven States covered in the questionnaire.

The summaries:

Utah.—The majority of individuals who were terminated for refusal to participate without good cause were returned to welfare for continued social services. The majority of women entered the program on a voluntary basis and the sanctions were not applicable. For the majority of men, a restriction was placed upon their welfare grant (protective payment). Most of these men were later referred back to the WIN program and they are currently in the program.

New York.—Oneida County reported that of five persons who refused to participate without good cause, follow-up showed one individual remarried (case closed), two individuals were employed (case closed), one individual could not be located (case closed) and one individual moved away (case closed).

Maryland.—Thirty persons refused to participate and 11 were referred back to the welfare agency. Since all who refused to participate were voluntary referrals to WIN, the sanctions were not applicable and the persons could be continued on AFDC and be considered for referral again when participation becomes more feasible.

Wyoming.—Two persons refused to participate without good cause. They were referred back to welfare. One was cut from AFDC by welfare; the other went for 60-days of counseling and has been re-enrolled in the program.

Minnesota.—St. Paul, Ramsey County reported 12 persons refusing to continue participation in WIN. These were mothers who are free to enter WIN and are also able to leave WIN without any punitive action being initiated. Because of this, the category "Terminated without good cause" has very little meaning in Minnesota.

Kansas.—Wichita reported 30 de facto or stated refusals to participate. Mothers who terminated without good cause have, in most cases, been absorbed back into the regular welfare caseload. Fathers terminated without good cause have either reconsidered their decisions after sanctions were applied and have been re-referred to the WIN program or, in the majority of cases, have obtained employment and been removed from welfare rolls.

Colorado.—Denver reported that individuals terminated without good cause are referred back to the welfare department for participation in a 60-day counseling period after appeal rights (at labor) have been exhausted.

We are issuing a communication to our Regional offices instructing them to strengthen their monitoring systems on welfare activities in WIN so that more information will be provided in the area of refusals without good cause. We are also working with the National Center for Social Statistics to include in the Social and Rehabilitation Service reporting system some additional questions that will provide more statistical data about the individuals returned to welfare agencies by the Employment Service because of refusal to participate in work or training without good cause. We have no evidence that welfare agencies are not conforming with the regulations governing disposition of individuals who refuse without good cause to participate in work or training under WIN, and consequently we have no cause to threaten discontinuance of Federal funds. If such evidence is found, we shall take the proper steps.

Questions Submitted by Senator Williams With Departmental Responses

(Referred to at page 762 of the hearings.)

PROHIBITION OF LIENS IN ADULT CATEGORIES

Question. Mr. Secretary, in your original submittal to the Congress you recommended that the States be prohibited from placing liens on the property of old-age assistance, blind and disabled recipients. The Committee on Ways and Means eliminated this provision from the bill and you have not recommended the reinstatement of the provision in your revised proposal.

What is your position on this matter and would you recommend that this provision be put back in the bill? You recommend that there should be no imposition of liens under the FAP program (P. 32, l. 9-15). Why should they be allowed under the adult categories if they are prohibited under FAP?

Answer. The Administration recommended in its original submittal a prohibition against States placing liens on property of aged, blind or disabled recipients. These have been a matter of State discretion and have been very distasteful to many applicants. In this sense they have probably served as a deterrent to application and effected some saving in costs. There is always the question of whether the individual who is deterred by such a provision actually receives sufficient food and other necessities from other sources or whether he lives on a deprived basis to avoid the threat which a lien on property may represent, particularly to older persons.

The Committee on Ways and Means considered the provision at some length and concluded that it should remain a matter of State discretion. While as a matter of public policy we believe it would be better to eliminate liens, we have accepted the judgment of the Ways and Means Committee and have not recommended reinstatement of the prohibition.

RESPONSIBILITY OF RELATIVES FOR AGED, BLIND AND DISABLED PERSONS

Question. Mr. Secretary, under the House bill an individual could not be considered financially responsible for an aged, blind, or disabled person unless the aged, blind, or disabled person were the individual's spouse, or unless he were the individual's child under the age of 21 or blind or severely disabled. In the revised bill, you recommended changing the age 21 limitation to age 22 (page 154, line 16 of Committee print). Please explain what the meaning of this section is and the reason you wish to change the age limit.

Answer. The recommended change from age 21 to age 22 was made solely for purposes of making the age consistent with the upper age for a child attending school which is recognized elsewhere in the Act. It has no substantive effect

since the only children who would be recipients under this program would be blind or disabled ones and at either age 21 or 22 the provision permits the States to hold relatives responsible for a blind or disabled child. The only substantive effect of having any age included is that it eliminates the responsibility of parents for aged persons. While this is unusual, there have been cases in which there was considerable dissatisfaction over holding a 90 year old parent responsible for a 70 year old dependent child.

SUPPORTIVE SERVICES FOR PERSONS IN WORK AND TRAINING PROGRAMS

Question. Mr. Secretary, section 437 of both the House bill and the revised bill would require States to provide such supportive services as the Secretary required to permit an individual to participate in work and training programs. The States would have to pay 10 percent of the cost of these services, and the volume of services required would depend on factors completely beyond the control of the States—the number of persons the Secretary of Labor decided to train and the kind of supportive services these persons would require. Yet by placing the Federal grants for these services under a new social services title, there would be a fixed Federal appropriation for these services. Does that not mean that a State might have to pay considerably more than 10% of the cost of these services, which they would have no choice but to provide, depending on the Federal appropriations?

Answer. The basic authorization for Federal funds for supportive services to permit persons registered for Family Assistance benefits to participate in work and training programs is contained in Section 437(c) rather than in Title XX. The inclusion of "services in support of manpower training and employment programs" as a part of the definition of individual and family services in Title XX is a broader authority which is not necessarily limited to persons in the FAP training or employment programs. Title XX funds at the 90 percent matching rate might, for example, be used to support a training program for a childless individual.

It is hoped that the appropriation pursuant to the authorization in Section 437(c) will be sufficient to meet the full Federal share of expenditures for supportive services to persons eligible under that section. In the event that such funds were insufficient, however, a State would have the authority to use Title XX funds to supplement. We would not anticipate any instance in which State expenditures for supportive services would exceed the availability of Federal matching funds under Section 437.

SUPPORTIVE SERVICES FOR PERSONS IN WORK AND TRAINING PROGRAMS

Question. Would lack of required supportive services be considered "good cause" for failure to participate in work and training programs?

Answer. If the participant requires these supportive services in order to participate in a work or training program the failure to supply such services would constitute "good cause" for failure to participate in work and training programs. The failure to provide a service not essential to the participants employment or training would not per se be considered "good cause" for refusal to participate. A State's failure to provide such services in a significant number of instances could raise a question of conformity.

ASSURING QUALITY OF SOCIAL SERVICES

Question. Mr. Secretary, in the material your Department submitted which appears on page 108 of the Committee print, it is pointed out that under the provisions of present law, authorizing expenditures for social services, "none of the fiscal formulas relate to the quality of the services provided." I assume this is to be an important point since it appears in italics. As I read the revised bill, none of the fiscal formulas under it relate to the quality of the service provided either. Do you disagree?

Answer. The Sections of Title XX devoted to Appropriations, Allotments, and Payments do not contain language relating directly to quality of services. However, Section 2005 requires that State services programs achieve specified levels of activity and performance, and Section 2006 authorizes full, partial, or selective withholding of Federal matching funds in the event of non-compliance on quality standards. This, together with the strengthened evaluation requirements of this bill, will serve as a powerful fiscal control on quality of services.

Fiscal sanctions under the present law are hard to use in the social services area. This bill will allow fiscal sanctions which are tailored-made to the compliance problem, and hence much more readily applicable. Such sanctions can be directed to specific problems, such as failure on the part of any service area to fulfill its plan commitment.

INDIVIDUALIZED SOCIAL SERVICES

Question. Mr. Secretary your Department's explanatory material which appears on page 110 of the Committee print, states that "public assistance social services have suffered from an overemphasis on the individualized case work approach characterized by a counseling methodology. What is the matter with the individualized case work approach? Should we have assembly line social services?"

Answer. An attempt to de-emphasize the almost exclusive use of the individualized counseling approach to social services certainly does not imply any decrease in concern for the unique problems of individual citizens. However, it is unrealistic to expect that counseling services alone, the results of which are often hard to measure, can meet all of the human social problems which our society is facing. It is important that we do more than talk about people's problems. We need to help people get adequate housing, day care, consumer protection, alcohol and drug abuse treatment, and so on. Given the prospect of limited funds and personnel for social services, we feel that it is in the interest of our citizens, as expressed by your Committee, to concentrate on delivering services which are visible, critical, and measurable. Counseling is necessary, but cannot be relied upon exclusively to effect changes.

SEPARATION OF SOCIAL SERVICES FROM CASH WELFARE

Question. Mr. Secretary, I know it has become social work dogma that there should be separation of social services from cash welfare, and I note that you would require absolute separation of administration of the two programs in this bill. Some thoughtful critics of this approach, however, have suggested that when you put the welfare recipient in the position of having to seek out another agency, another office, in order to get needed welfare services, he may find it either too much trouble, or he may simply not be informed about the range of resources open to him and therefore not bother to ask for them. In other words, those who are more aggressive and informed will get the services, while those who are backward and not so knowledgeable will not. It is the latter, of course, who may need the services the most. Could you tell me how this problem will be met under your proposal?

Answer. Providing adequate information and referral to services is a challenge under any administrative structure. Under the old combination of cash payments and social services, there was no automatic assurance that aid recipients would receive proper referral to community resources. Moreover, other problems under the old system were even worse than the referral problem. In particular, effectiveness of services suffered for three reasons:

- (1) Caseworkers spent most of their time on eligibility paper work rather than on services.
- (2) The skills required for services are different from those required for eligibility determination. Few workers excelled in both roles simultaneously, and
- (3) Recipients found it difficult to accept welfare investigators as helping persons.

Separation of cash aid administration and services administration is the only feasible way to tackle the effectiveness problem, which we regard as the basic social services issue. Should such separation prove to have negative side effects upon the information and referral process, we are committed to counteracting such effects through better training of agency receptionists, printed material which clients can better understand, increased use of public communications media, and outreach activities suggested by the income maintenance workers.

PREVENTING THE NEED FOR FOSTER CARE

Question. Mr. Secretary, a good case can be made for increasing Federal support for foster care services. What I would like to know is what we can do to work with parents to reduce the need for foster care?

Answer. A number of strong measures are necessary to cut down on the need for foster care.

Neglecting is a major reason why children are removed from their own homes. Services which reach children in their own homes can relieve some of the stresses which lead to neglect and abuse. Young parents particularly need help with home and money management, child-rearing practices and family planning services.

Temporary physical and mental illness of a parent need not cause children to be placed in foster care if homemaker services in the child's own home were more universally available.

Day care services are in short supply for children of parents who are engaged in or want job training and employment. Such services are equally important for parents who need help for children with developmental health and mental health problems and physical and mental handicaps. Sheer relief for a few hours daily from the care of a retarded child may spell the difference between home care and institutionalization of the child.

Services related to out of wedlock pregnancy help prevent foster care either by enabling the mother to release the child in infancy when it can be more readily placed for adoption or by helping the mother to get education and employment so she can support the child.

Underlying all these alternatives to foster care are the long-range efforts to keep family units intact—more adequate income maintenance, assistance for low-income two-parent families and better health care for parents.

INQUIRY ABOUT THE CHILD CARE STUDY

The Office of Child Development has been making a study of child care and development, and the results of several projects will greatly assist the effort to provide quality child care service under the Family Assistance Act. First, a paper currently being prepared for the White House Conference on Children and Youth will present an analysis of the need for services with specific attention given to low income families. The paper will also discuss the effectiveness of existing federal programs which, for the most part, have been concentrated on low income beneficiaries. Second, the Office has contracted for an aggregation and critical review of literature concerning pre-school programs. Third, the Office is making a long range study of the relative effectiveness of various techniques of application. Finally, an assessment of alternative methods for delivering service is being made based on the experiences of Parent Child Centers and other operating programs.

COMPOUNDING TRAINING AUTHORITIES

Question. Mr. Secretary, under present law you can train persons providing social services to welfare employees under sections 705 and 707 of the Social Security Act, and you can train child welfare workers under section 426 of the Social Security Act. In addition, I understand you have trained social welfare personnel both under the Vocational Rehabilitation Act and through the National Institute of Mental Health. In the revised bill none of these authorities would be repealed, but you would actually add two new training authorities, in section 2008(c)(1) and in section 2009(c)(3). Why are you adding training authority on top of training authority? Isn't it about time these authorities were consolidated?

Answer. At the present time there are several training authorities for training of various specialties in social service. Section 426 of the Social Security Act is specifically related to training child welfare workers. The Vocational Rehabilitation Act has broad authority to train personnel needed in the operation of the rehabilitation programs. Rehabilitation social worker is one type of social service worker. Section 705 of the Social Security Act provides authority for training of public assistance employees but it has never been funded. Section 707 which became effective in the fiscal year ending June 30, 1969, provides grants to educational institutions for faculty in the development of undergraduate and graduate social work programs. These funds provide a beginning for the necessary expansion of educational facilities to train social service staff. The authorities, although related, are not duplicated in terms of meeting specific manpower needs of the respective programs.

The Social and Rehabilitation Service, in its recent reorganization, has established an Office of Manpower Planning, Development, and Training. The administration of Federal funds for training of social welfare personnel will be placed

in this new office to assure the most appropriate use of each of the specific funds under Title VII, Section 707. The new training authorities provided for in Section 2008(c) (1) and Section 2009(c) (3) would also be placed in this new office. The various training authorities would complement each other. The present estimates of needed manpower for the social services in all of the various Social and Rehabilitation Service programs exceed the present supply and the present training authorities would not in any way result in unnecessary or duplicated expenditures in the training of social welfare personnel.

CASE FINDING FOR SOCIAL SERVICES

Question. Mr. Secretary, in the definition of social services contained in the revised bill, you cite as a major item the identification of persons in need of services (Section 2002(1) (A), page 105). Wouldn't you have considerably less difficulty identifying persons in need of services if you did not insist on such a rigid separation between the cash assistance programs and services programs?

Answer. The single best indication of a person's need for social services and readiness to accept them is his *request* for social services. We have learned it makes little sense and is seldom effective for a welfare worker to try to *tell* people what social services they need. Persons are often reluctant to request help, beyond cash aid, from workers whom they identify as welfare investigators. We therefore intend to offer as many or more opportunities for cash aid recipients to request social services, with full understanding that such a request will be handled by a services worker and will not reflect upon receipt of cash aid.

Separation of cash aid administration and services administration is a priority goal designed to enhance effectiveness of services. Any adverse side effects which such separation may have upon the information and referral process will be counteracted. (See Question 6 above.)

CUSTODIAL NURSING HOME CARE UNDER SOCIAL SERVICES PROGRAM

Question. Mr. Secretary, the definition of social services contained in the revised bill includes "institutional services for adults who are aged, or physically or mentally disabled, and are unable to maintain their own place of residence" (section 2002(1) (E), page 106). Custodial care for the aged, blind, and disabled has up until now been included under the cash assistance programs. Why are you recommending a change to put custodial care under the social services program?

Answer. Section 1121 of the Social Security Act, which provides for institutional services in intermediate care facilities, remains in effect. A technical amendment proposed in H.R. 16311, Section 402(10), makes Section 1121 applicable to a plan for aid to the aged, blind, and disabled under Title XVI. Therefore, custodial care is still included under the cash assistance program for persons who are, or if not institutionalized would be, entitled to money payments under Title XVI.

The inclusion of institutional services for adults in Title XX makes possible the provision of custodial care, as a protective service, to persons who for some reason do not qualify for a money payment under Title XVI. It thus allows greater flexibility than does Section 1121, but does not supplant this section.

DEFINITION OF "CHILD WELFARE SERVICES"

Question. Mr. Secretary, under present law Federal grants to States are authorized for child welfare services, which are defined in section 425 of the Social Security Act as "public social services" relating to child welfare. In section 2002(2) on page 106 of your revised bill, you have taken over the definition of child welfare services almost word for word from present law, with one important difference—you have deleted the word "public." Why have you suggested this change?

Answer. The term "public social services" was used in the definition of child welfare services in the original Social Security Act because the thrust, at that time, was to develop a public program, particularly in rural areas where private agency services were virtually nonexistent.

There is no longer any need to retain the word "public" in the definition. The intent of Title XX is to take maximum advantage of services offered by all agencies, including private non-profit agencies, through purchase of service arrangements. The provisions of the bill for *Organization and Administration* clearly establish a public agency at the State level and in each service area

throughout the State which will have total responsibility for the program of individual and family services. These agencies will be the ones which receive Federal funds and provide or arrange for the provision of services, including service contracts or agreements with other agencies.

From the earliest days of the Social Security Act, the child welfare services furnished as "public social services" frequently were actually provided from non-public sources. An example is foster care, which is purchased from any suitable person or family. Thus, deletion of the word "public" from the definition is not a substantive change, but a clarification.

PRESENT SOCIAL SERVICE AUTHORITY

Question. Mr. Secretary, in your statement on social services, you stress the lack of State "accountability" and "hard" social services. Why can't you require these under present law?

Answer. Strictly speaking, we can improve "accountability" and "hardness" of social services under present legislation, and are striving to do so. However, many provisions of the new bill will strengthen our ability to help States become more accountable for achieving results through their social services programs. Section 2005 requires States to achieve specified levels of activity and performance. Section 2006 provides fiscal sanctions which are more usable than our present sanctions. Section 2007 strengthens evaluation requirements. Section 2008 greatly increases the funds authorized for development of effective methods and measurement of results through project grants and contracts.

The bill makes social service agencies accountable, not simply to federal agencies but to the public as well. It requires the publicizing of evaluation results. Most significantly, it makes the programs more subject to public sentiment by increasing the role of State and local elected officials in planning and administering social services programs.

REFERRAL FOR SOCIAL SERVICES

Question. Mr. Secretary, on page 17 of your opening statement on the revised bill, you state that "family assistance would provide a new system for clients to be referred to State and county social service agencies from which they could obtain needed work-enhancing social services and counseling." Yet under the bill there is no requirement that cash assistance recipients be referred anywhere. What were you referring to in your statement?

Answer. Section 447 of the Family Assistance Act requires registration for manpower services, training, and employment, or for referral to Vocational Rehabilitation Services, as appropriate to the Family Assistance recipient. Section 436 provides for child care services and Section 437 provides for work-enhancing supportive services in relation to Section 447. It is expected that those additional services related to manpower, training, employment, and rehabilitation and offered under Section 2002(1)(B) will be administered in close coordination with those offered under Sections 436, 437, and 447.

FEDERAL FLOOR FOR FOSTER CARE

Question. Mr. Secretary, the background paper issued to the press when your Department submitted its social service amendments states that the revised bill will provide a "Federal floor of \$300 per year for support of foster children." (Page 97 of the Committee Print). Yet, Section 2005(a)(2)(G) on page 114 of the bill says only that States are required to pay at least \$300 for foster care. Why does it say that there will be a \$300 Federal floor when what would be required is a \$300 State floor with Federal funds only available as appropriated?

Answer. The reference on page 97 of the Committee Print that the revised bill will provide a Federal floor of \$300 per year for support of foster children is not incongruous with Section 2005(a)(2)(G) on page 114 of the bill. It simply means that a State may not pay less than \$300 per year for children in foster care and that the Federal share will be \$300 or 100% of the first \$300 expended and 75% of any amount over \$300. Whereas it is true that Federal funds will be available only as appropriated, it is nonetheless a fact that under this bill, Federal law would establish a floor of support at \$300 per foster child per year.

Senator Williams' question refers to Page 101 of the Committee Report on H.R. 16311 the Family Assistance Act of 1970 (June 1970). The Senator quotes the statement: "A single family could effectively benefit from locally

based grant programs and nearly all of the 50 formula grant programs supported by the Department." There is an error in this statement, and it should read, A single family could effectively benefit from more than half of 210 *discretionary or project grant* programs and nearly all of the 50 formula grant programs supported by the Department.

The material which follows includes:

1. A list of the discretionary of project grant programs that benefit families with reference number that are keyed to the *Catalog of HEW Assistance* (August 1969);
2. The Catalog of HEW State Administered Formula Grant Programs (July 1970)¹ that lists the formula grant programs (see Table of Contents) referred to in the above questions; and
3. Examples of how a variety of programs, both discretionary and state administered formula grant, could benefit families.

HEW program

Page code:

- 1.1.9 Child Development—Head Start
- 2.1.1 Library Services—Grants for Public Libraries
- 2.1.2 Library Services—Interlibrary Cooperation
- 2.1.3 Library Services—State Institutional Library Services
- 2.1.4 Library Services to the Physically Handicapped
- 2.1.5 Construction of Public Libraries
- 2.1.6 College Library Resources
- 2.1.7 Library Training Grants
- 2.3.2 Adult Basic Education—Special Projects
- 2.3.3 Adult Basic Education—Teacher Education
- 2.6.3 Vocational Education—Consumer and Homemaking
- 2.6.4 Vocational Education—Cooperative Education
- 2.6.5 Vocational Education Innovation
- 2.6.6 Vocational Education—Curriculum Development
- 2.6.7 Vocational Education Planning and Evaluation
- 2.7.1 Teacher Corps—Operations and Training
- 2.8.1 Educationally Deprived Children—Indian Children
- 2.8.2 Educationally Deprived Children—Local Educational Agencies
- 2.8.3 Educationally Deprived Children—Handicapped Children
- 2.8.4 Educationally Deprived Children in Institutions for the Neglected and Delinquent
- 2.8.5 Educationally Deprived Children—Migratory Children
- 2.8.7 Supplementary Educational Centers and Services
- 2.8.8 Dropout Prevention
- 2.8.9 Bilingual Education
- 2.9.1 School Assistance in Federally Affected Areas—Payments to Local Educational Agencies
- 2.10.1 Handicapped Preschool and School Programs
- 2.10.2 Handicapped Early Childhood Programs
- 2.10.3 Handicapped Teacher Education
- 2.10.4 Handicapped Physical Education and Recreation Training
- 2.10.5 Handicapped Physical Education and Recreation Research
- 2.10.6 Handicapped Teacher Recruitment and Information
- 2.10.7 Handicapped Research and Demonstration
- 2.10.8 Regional Resource Centers
- 2.10.9 Handicapped Innovative Programs—Deaf-Blind Centers
- 2.13.1 Research and Development
- 2.13.2 Research and Development Centers
- 2.13.8 Educational Research—Major Pilot Projects
- 2.13.9 Educational Research—Experimental Schools
- 2.14.7 Student Aid—Educational Opportunity Grants
- 2.14.8 Student Aid—National Defense Education Act Direct Loan
- 2.14.11 Higher Education Act Insured Loans—Guaranteed Student Loan Program
- 2.14.12 Higher Education Work—Study
- 2.14.13 Programs for the Disadvantaged—Talent Search
- 2.14.14 Programs for the Disadvantaged—Upward Bound
- 2.14.15 Programs for the Disadvantaged—Special Services in College

¹ This document was made a part of the official files of the committee.

- 2.15.2 Educational Classroom Personnel Training-Basic Studies
- 2.15.3 Educational Classroom Personnel Training-Early Childhood
- 2.15.4 Educational Classroom Personnel Training-Special Education
- 2.15.5 Trainers of Teacher Trainers
- 2.15.6 Educational Personnel Training Grants-Career Opportunities
- 2.15.7 Educational Staff Training-More Effective School Personnel
- 2.15.8 Educational Staff Training-Teacher Leadership Development
- 2.15.9 Strengthening School Administration-Training Grants
- 2.15.10 Educational Personnel Development-Support Personnel
- 2.15.11 Vocational Educational Personnel Training
- 2.16.9 Follow Through
- 2.16.10 Manpower Development and Training
- 4.2.1 Cuban Refugee Assistance-Welfare Assistance Services
- 4.2.2 Cuban Refugee Assistance-Resettlement
- 4.2.3 Cuban Refugee Assistance-Education
- 4.2.4 Cuban Refugee Assistance-Health Services
- 4.2.5 Cuban Refugee Assistance-Transportation of Refugees from Cuba
- 4.3.1 Juvenile Delinquency Planning, Prevention and Rehabilitation
- 4.3.2 Juvenile Delinquency Prevention and Control-Training
- 4.3.3 Juvenile Delinquency Prevention and Control-Model Programs
- 4.4.3 Public Assistance Demonstration Projects
- 4.4.4 Social Welfare Cooperative Research and Demonstrations Research Grants
- 4.4.5 Social Welfare Cooperative Research and Demonstrations Directed Research
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- 4.4.7 Rehabilitation Research and Training Centers (Special Center Program)
- 4.5.5. Rehabilitation Services Innovation
- 4.5.6 Rehabilitation Services Expansion-Contracts with Industry
- 4.5.7 New Career Opportunities in Vocational Rehabilitation
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- 4.5.9 Rehabilitation Services Expansion Grants
- 4.5.10 Vocational Evaluation and Work Adjustment
- 4.5.11 Vocational Rehabilitation Services-Handicapped Migratory
- 4.5.12 Vocational Rehabilitation-Project Development Grants
- 4.5.13 Vocational Rehabilitation-Initial Staffing
- 4.5.14 Vocational Rehabilitation Facility Improvement Grants
- 4.5.15 Vocational Rehabilitation-Training Service Grants
- 4.5.16 Vocational Rehabilitation-Technical Assistance Program
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- 4.6.3 Rehabilitation Service Projects for the Mentally Retarded
- 4.6.5 Mental Retardation Initial Staffing of Community Facilities
- 4.7.3 Child Welfare Research and Demonstration Grants Programs
- 4.7.4 Maternal and Child Health Services
- 4.7.5 Crippled Children's Services
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- 4.7.7 Maternity and Infant Care Projects
- 4.7.8 Intensive Care Projects
- 4.7.9 Special Projects for Health Care of Children and Youth
- 4.8.2 Aging-Research and Development Project Grants
- 4.8.4 Aging-Foster Grandparents Program
- 5.2.4 Air Pollution Survey and Demonstration Grants
- 5.3.3 Solid Wastes Demonstration Grants
- 6.1.3 Comprehensive Health Planning-Training Studies and Demonstrations
- 6.1.5 Project Grants for Health Services Development
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- 6.2.5 Health Services Research and Development-Grants and Contracts
- 6.2.7 Patient Care and Special Health Services-Operation of Hospitals and Clinics
- 6.3.1 Regional Medical Programs-Operational and Planning Grants
- 6.4.6 Communicable Diseases Control, Consultation, Investigations, and Demonstrations
- 6.4.7 Epidemic Services
- 6.4.8 Training of Public Health Workers in Communicable Diseases

- 6.4.9 Community Immunization Services
- 6.4.10 Tuberculosis Control
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- 6.6.1 Indian Health Facilities-Hospital Construction and Modernization
- 6.6.2 Indian Health Outpatient Care Facilities
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- 6.6.5 Field Health Services for Indians
- 6.7.1 Mental Health Research Grants
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- 6.7.3 Mental Health-Early Child Care Demonstrations
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- 6.7.9 Community Assistance Grants for Narcotic Addiction and Alcoholism
- 6.7.10 Narcotic Addict Treatment
- 6.7.13 National Center for Mental Health Services, Training and Research-Clinical and Community Services
- 7.1.5 Allied Health Professions Developmental Grants
- 7.1.6 Allied Health Professions Basic Improvement Grants

HEW AND THE MULTI-PROBLEM FAMILY

The example of the multi-problem family is possibly the most cogent vehicle one can use to gain some perspective on the full-range of services which HEW can bring to bear on the problems confronted by the disadvantaged in our society. At the same time, it will also make clear the tremendous fragmentation, overlap, and duplication in the way HEW service agencies are structured and the consequent enormous costs to the society in terms of inefficiency and waste of the society, and the toll on the individual family which must sort out the various agencies to determine which can best serve them.

A recent study in St. Paul found that multi-problem families there, on the average, had involvements of some degree with 10 human service agencies, many of which were providing identical services to the same family. The Lansing Model Cities has found one family of a mother and two children which has in the last year had contacts with 25 district agencies most of which had no awareness of the involvement of other agencies in attempting to resolve some of the problems of this family.

To cite an extremely hypothetical situation and examine possible direct HEW impact on that family, let us take the case of a fatherless family of five: an uneducated, unemployed, woman 40 years of age, with a son 16 who has had some minor scrapes with the police, and is having problems in school, a 9-year-old girl who is a borderline retardate, and four year old boy with a leg ailment, joined by the woman's mother of 65.

The range of services which HEW agencies might provide this family is staggering. The mother might receive:

- (1) AFDC cash payments to support the family;
- (2) Counseling from the public welfare agency essentially related to prevention of further family break-down or to encouragement of re-unity with the father of the children, funded as a Social Security Act social service;
- (3) Family Planning or birth control services provided under a HSMHA grant;
- (4) Medical care as part of Medicaid, or a Comprehensive Health Program;
- (5) If she became pregnant, prenatal care as part of the Maternal and Infant Care Program;
- (6) Work Training under the WIN program, or a Vocational Educational Program;
- (7) Remedial reading or Adult Basic Education courses under a variety of OE programs within a school system, or often in other agencies;
- (8) Parental training in a Head Start program, an OE Handicapped Early Childhood Training program, a Child Welfare program, or a Juvenile Delinquency program;
- (9) Consumer training in a public welfare, vocational education, or consumer services program.

In addition to the services the mother might receive, each of the children could receive another full set of services.

The oldest son might be involved in :

- (1) A drop-out prevention program ;
- (2) Special counseling or support for Educationally Deprived Children, through the local school agency ;
- (3) A Talent Search, or Upward Bound program if he has college potential ;
- (4) A vocational Education program ;
- (5) Juvenile Delinquency or Child Welfare programs ;
- (6) A parenthood program if he has fathered a child ;
- (7) If he has had troubles with drugs, he could receive services from local agencies funded out of NIMH Community Mental Health program, Juvenile Delinquency, Rehabilitation Services, Community Services, The OE or even Medicaid.

The retarded daughter would met another set of HEW-funded agencies and programs including :

- (1) A Rehabilitation Services Administration program for vocational development of the mentally retarded such as sheltered workshops ;
- (2) An NIMH sponsored project for the treatment of the mentally retarded ;
- (3) An OE program for education of the mentally retarded ;
- (4) A homemaker service funded out of a number of HEW programs to provide the family with a respite from caring for her several hours every day ;
- (5) A day care program for the mentally retarded from public welfare ;
- (6) The Foster Grandparents program ;
- (7) A range of institutional arrangements, many of which would receive some HEW support.

The youngest child receive aid from :

- (1) Rehabilitation agencies ;
- (2) Crippled Children's programs ;
- (3) OE programs for the handicapped child ;
- (4) WIN, public welfare, or Head Start day care ;
- (5) Protective service agencies if there was a threat he might be abused ;
- (6) A range of child health agencies.

And as with the younger member of this family, the oldest member could likewise have the same bewildering possibilities :

- (1) Social Security ;
- (2) Aid to the Aged ;
- (3) Medicare ;
- (4) Medicaid ;
- (5) Social services to the aged from public welfare ;
- (6) Service programs under the Older Americans Act such as information and referral centers, senior citizen centers, nutritional programs ;
- (7) Homemaker and home health-aid services ;
- (8) Nursing home care if the family can no longer care for her ;
- (9) Institutionalization for senility, especially in mental institutions.

Reviewing this range of services HEW underwrites can easily mislead one into the impression that the multi-problem family has at their disposal a continuum of cases which could help them solve all their problems. This misses the reality that these services are randomly distributed in discrete service agencies with little or no connection, and varying narrow perspectives on individuals and families. Therefore, the oldest boy in this family is perceived as :

- (a) a drug addict.
- (b) a juvenile delinquent
- (c) an underachiever in school
- (d) an unmarried father
- (e) an unskilled worker
- (f) a potentially dependent adult, but rarely all of these things.

Each agency wants to approach one functional problem, not the total individual. Often they will fight to serve the same individual to the exclusion of other agencies, somewhat analogous to the park benchesitters fighting over who should feed a particular pigeon only to find that the ensuing disturbance had frightened the pigeon away. Likewise they often are providing exactly the same services differentiated only by the professional appellations attached to them.

Questions Submitted by Senator Harris With Departmental Responses
(Referred to at page 762 of the hearings.)

NINETY PERCENT OF SOCIAL SERVICES FOR THE POOR—NEW YORK STATE

Question. Mr. Secretary, section 2005(a)(2)(H) requires that not more than 10 percent of Federal funds be used to meet the costs of providing services to persons whose family income exceeds the poverty level defined in the bill. Since there are at least theoretically no such persons in New York State, whose welfare payment level exceeds the poverty level, doesn't this mean that the State of New York will not be able to have a social services program?

Answer. The Social Service Amendments define a ceiling for provision of certain free services as the poverty level. An unintended result of this definition is that in any State in which the welfare payment level presently exceeds the poverty level, recipients would technically be ineligible for free services. Two states now have welfare payments levels which are higher than the poverty level.

CHARGING FEES FOR SOCIAL SERVICES

Question. Mr. Secretary, the revised bill would require persons receiving certain social services, including family planning, to pay a fee for those services if their income exceeds the poverty level defined in the bill. In at least two States the level of welfare payments already exceeds the poverty level defined in the bill. Doesn't this mean that every welfare recipient in New York State would have to pay for family planning services?

Answer. The Administration would support a redefinition of the eligibility ceiling for free services to be in any State the State's welfare payment level as of January, 1970, or the poverty level, whichever is higher.

DETERMINING ELIGIBILITY FOR SOCIAL SERVICES

Question. Mr. Secretary, under the revised bill persons receiving certain social services would have to pay a fee for the service if their income exceeded the poverty level defined in the bill. Does this mean that the social service agency would have to conduct an eligibility determination to find out each person's income? Wouldn't this defeat the purpose of separating social service from cash assistance?

Answer. This requirement is not an eligibility test in the sense of determining whether an individual or family will or will not receive a service, which is the basis for determining eligibility for a public assistance grant. Rather, it is a simple determination of income of an individual or family to ascertain whether such individual or family will receive a service free or with the payment of a fee and, if the latter, the amount of the fee. This is done in relation to many health, education, recreation and other types of services. On this basis, the purpose of separating social service from cash assistance would not seem to be defeated.

FAMILY PLANNING SERVICES

Question. The bill which you have presented us, however, provides for a closed end grant for funding social services, and would mean that family planning services would have to compete with all other social services for the limited funds available. We had thought in 1967 that by providing 75 percent matching funds for family planning under Part A of Title IV, and by requiring State public welfare agencies to offer family planning services to all appropriate recipients, we would encourage a great expansion of family planning programs. If these 1967 amendments had as little effect as your report indicates, how do you expect the provisions of this new bill to provide for the great acceleration which your Department says is needed? Your new bill deletes the requirement that family planning services be "offered" to recipients and potential recipients of welfare.

Answer. The closed end appropriation for individual and family services which by definition include family planning services under the proposed new title XX of the Social Security Act should not adversely affect the expansion of family planning services. In addition to family planning services offered under title XX, the State and local agencies will continue to utilize the title XIX program which is open ended, for family planning services, as well as expanded resources under the material and child health and family planning project programs authorized by title V of the Social Security Act as well as family planning services offered by the OEO program. Furthermore, greater improvement in reaching families with family planning services is expected to result from the fact that workers

under the title XX program would be devoting full time to service activities including the offering of family planning services and information and referrals.

It is true that family planning services are more specifically required under title IV than under title XX. However, they are one of the basic enumerated services under title XX. States must maintain a reasonable balance among these services, but it is the policy of this Department to promote the offering of family planning services, and we believe this legislation is an effective way to achieve this.

CHILD CARE—USE OF FUNDS

Question. Mr. Secretary, in material presented to the Committee in April it was indicated that you would intend to spend, in the first year after the passage of the Family Assistance Act, a total of \$286 million for the provision of child care. This figure consisted of \$120 million for 300,000 school-age children at a cost of \$400 per child; \$240 million for 150,000 preschool age children at a cost of \$1600 per child; and the remaining \$26 million would be used for renovation of facilities, staff training, and research and demonstration projects.

The Administration revision of the bill would authorize you to use funds for the acquisition and construction of child care facilities, an authority not contained in the House-passed bill. Are you now planning to request more total dollars for child care projects to take into account your expanded authority, or would this fit in under the \$386 million by providing less day care? If you do not plan to increase the funding for child care, what is the new estimate for allocation of the funds?

Answer. The Department has no plans to request funds in excess of \$386 million for child care projects authorized under sec. 436 of the Act. While recognizing the need for expansion of physical facilities for use as day care centers, it was our initial decision that this expansion could take place through renovation and remodeling of presently available buildings. After further review it became evident that there are areas where no buildings conducive to remodeling are available. We are, therefore, requesting authority to fund new construction projects when necessary. Such new construction projects would have to meet the test of being the only means available for providing needed physical facilities required to adequately serve eligible children.

AVAILABILITY OF CHILD CARE RESOURCES

Question. Mr. Secretary, there are, I understand, approximately 650,000 licensed day care openings in the United States at the present time, and these are largely full. In addition, there is good evidence that these openings are far from sufficient to meet current needs and that a large unmet need for child care exists in most States. If the Administration intends to provide child care services for 450,000 additional children in the first year after passage of the Family Assistance Act, where are you going to find these services?

Answer. The Department recognizes this problem, and plans to launch an active program of day care resource development. There are, throughout the United States, a wide range of public and private agencies, organizations, and groups ready and able to open and operate new or expanded day care programs. Through prime grantee agencies, it is our intention to bring these groups together, community by community, to plan orderly development of resources necessary to meet the child care needs under the Act. We do not expect to be able to develop a massive number of new day care centers overnight and, in the beginning, it will be necessary to rely more heavily on use of family home care. However, by providing grants for start-up costs, we expect to develop a large number of day care centers serving preschool age children; through cooperative planning with education authorities, we expect to utilize school buildings as the focal point for serving school age children; through an extensive purchase of care, vendor payment, program, we expect to provide the market to encourage private investors to commit funds to development of day care centers.

DAY CARE REQUIREMENTS

Question. Mr. Secretary, in your statement on page 21, you state "We also plan to provide day care for every FAP family who needs it, both while its bread winner is engaged in training and after he has taken a job." What is your concept of every FAP family who needs it? Give your estimate for each of the first five years

of the program, including an estimate of the cost of providing day care for these families.

Answer. The legislation's intent is to provide for every family in which a person who, but for the lack of adequate child care, would participate in job training or employment whatever child care is necessary in order to enable the family member to participate in the training or employment offered him (or, in the case of a handicapped person, the vocational rehabilitation services offered).

We anticipate that approximately 472,500 children will be in care on June 30, 1971, and that an additional 150,000 children will need care during the first full fiscal year of operation of the Family Assistance program. We estimate that the first year average daily attendance level will be about 72 percent of the total enrollment, or approximately 450,000 children.

As indicated in material previously furnished to the Committee, it is estimated that the total Federal cost for day care under H.R. 10311 as revised would be about \$.5 billion for fiscal year 1972—about \$.3 billion more than under present law. The projections of day care costs over the following 4 years under both current law and the proposed legislation are level continuations of the Administration's first-year commitments for these programs. Decisions about program levels for day care in future years will greatly depend on program results in the preceding years.

ADMINISTRATION OF FAMILY ASSISTANCE PLAN

Question. Mr. Secretary, when former Secretary Finch appeared before the Committee, I asked him what the Department's plans were for administration of the family assistance program. He answered, "We will have this before your Committee very shortly." (p. 342 of Hearings) It is now almost three months later and we still have no information on this point. Let me ask again: What are your plans for administering the family assistance program?

Answer. Plans for administration of the Family Assistance Plan are still in an early stage of development. Many of the details need to be worked out and in the process of doing this, circumstances may require some changes even in the broad concept. However, subject to this qualification and to the possibility of changes being required by revisions in the legislation, we have developed general approaches to FAP administration.

The responsibility for administering FAP will probably be given to a new agency to be established within HEW. This agency may absorb parts of the present Social and Rehabilitation Service and may also make use of the services of other agencies in the administration of the program. Broadly speaking, the agency will consist of three major units. Central headquarters to provide executive direction and staff services; a central data processing unit; and an extensive field structure. The central data processing unit will establish a national roll of FAP recipients with both families and individuals identified on this record. For States which opt for Federal administration, this central record would produce by-product records to be used in issuing monthly checks. Checks would be issued through an undetermined number of Treasury Department disbursing offices. In States which elect to have the Federal Government administer money payments for the aged, blind, and disabled, as well as FAP payments, a similar process would be used to service the adult categories.

The field structure for the Family Assistance agency will be supervised through the 10 HEW Regional Offices. Because of the close relationship to State programs, FAP will probably also have a representative or a small staff permanently stationed in most State capitals. Federal administration at the local level will be handled through a series of small offices in order to make the service easily accessible to the public. Trained technicians in these offices will interview applicants, obtain completed application forms, and where necessary, request evidence from the applicant. The decision on the family's eligibility for FAP benefits will be made at the local office after review of the application by other employees. Data to establish the initial payment record for the family and permit issuance of the first check will be transmitted by wire to the central data processing unit. We hope to work out a system both within FAP and with the Treasury Department which will permit the first check to be paid within a week after the application is completed.

During the interview, applicants will be informed of their responsibilities under the program, particularly the responsibility to report promptly to the local FAP office any event which would change the family's eligibility or substantially affect the amount. While we anticipate in most cases the instructions will be followed, there will be several checks built into the system. The central data processing unit will have links with the Social Security Administration to obtain records of earnings reported for individuals in families receiving FAP benefits so that these can be compared against allegations in the initial application or later reports from the family. Similarly, we plan to have a tie-in to agencies which pay periodic benefits to individuals—the Social Security Administration, the Veterans Administration, the Civil Service Commission, etc., so that we can learn directly from these agencies of any other Federal benefits being paid to members of FAP families. In addition, as a positive means of obtaining periodic statements from all families to insure that no event which would affect eligibility has gone unreported because of misunderstanding or lack of knowledge. We plan regularly—probably semiannually or annually—to send a computer-prepared statement to each family showing the current facts which affect eligibility as they stand in our records, and ask the family to either verify that they are correct or to indicate on the form any changes.

We will establish a regular system of eligibility control through sample checks of a cross-section of FAP families. During these checks, all of the data on which a determination of eligibility was made will be examined in detail. Facts which were accepted on the basis of the applicant's statement will need to be established by direct evidence. The sample size and its distribution will be scientifically determined so that we can validly determine through this system not only whether erroneous information is being given, but also whether the agency's own procedures and policies are achieving their intended result. All applicants will, of course, be informed at the time of filing that this sample check is continually being made and that they may be included in it.

Our present thinking calls for information pertinent to the needs of the employment service to be obtained by the FAP agency at the same time that the application for family assistance benefits is completed. This information will be immediately forwarded to the employment service for their use in developing training or placement plans for FAP recipients.

Reference to social service agencies will be made whenever an individual filing for FAP indicates a need for services or when such a need can be detected by the interviewer. We do not plan to have FAP applicants seen by trained social workers in FAP offices for this purpose, but, instead, will try to train our technicians to the point where they can determine that information about the availability of social services would be appropriate. If the response is positive, the FAP office will be as helpful as possible in facilitating the contact between the family and the social service agency without appearing to apply pressure.

NUMBER OF EMPLOYEES NEEDED TO ADMINISTER PROGRAM

Question. Mr. Secretary, when your predecessor appeared before the Committee in April, I asked him how quickly he thought the family assistance program would be implemented administratively. He answered that, "That could move rather rapidly, within conceivably a year's time." (p. 343 of hearings). I note that in your revised bill you retain an effective date of July 1, 1971. How do you plan to put this massive new program into operation in such a relatively short time?

Answer. As Secretary Richardson testified in July, the Administration is concerned that, with the passage of time and a growing awareness of some of the difficulties and problems that will be encountered in "tooling-up" for administration of the proposed Welfare Reforms, there may well be difficulties in meeting the general July 1, 1971, effective date in the bill as passed by the House of Representatives and now before the Senate Finance Committee.

The Administration is in the process of developing firm and reliable estimates of the time periods that should be allowed between enactment and effective dates for various aspects of this bill. The Department is calling upon the expertise of those within the Department who have experience in the development of

vast new programs and those with experience in the welfare area as well as the scientific knowledge and evaluation of outside consultants specializing in such analyses of a job to be done and the requirements that must be met to get it done.

As we gain full advantage of the review of this area, and as further progress is made in the legislative process, so that a clearer picture of the final form of the legislation and of the probable date of enactment become possible, we will be looking again at the question of the effective date and giving further consideration to possible changes in this area.

With regard to the number of people that will be needed to administer FAP, a question implied by the title of this question, it may be recalled that a very rough estimate of 25,000 to 50,000 total staff has been used as the staff that would be required if most States were to opt for Federal administration. It should be emphasized that the above was a very rough guess and that this matter, too, is currently undergoing intensive review within the DHEW.

The Department will make every effort to assure that the Committee is promptly informed of any developing information or recommendations relating to the details of the implementation of the FAP.

TEMPORARY EMERGENCY ASSISTANCE

Question. Mr. Secretary, in the revised bill (section 2002(5), page 108) you define temporary assistance as "assistance in cash or in-kind through the provisions of services to individuals or families in urgent need thereof". Section 406(c) of the Social Security Act defines emergency assistance in a much more specific and adequate way, and it specifies that migrant workers with families may be provided emergency assistance. Why have you abandoned the language of present law in the definition of emergency assistance?

Answer. The section on temporary emergency assistance in Title XX includes cash assistance and services which may be provided, if the State so elects, to all persons in urgent need due to a crisis. These services could be provided to migrant workers and families and, it was not thought necessary to mention migrants specifically in the proposed legislation. The specific groups were not enumerated in order to allow the States flexibility in defining crisis situations in which temporary emergency assistance is needed.

PUBLIC SERVICE EMPLOYMENT

Question. Mr. Secretary, when we held hearing on the welfare bill in April the question was raised, where the jobs will come from and where the recipients would be trained. In a statement before the Ways and Means Committee, Secretary Shultz flatly opposed the idea of expanding public service employment. What are your feelings on the matter?

Answer. There is an important role that public service employment can and should play. However, we do not support the large scale WPA approach to the problem.

First, in a dynamic and growing economy we can train most people for the jobs that exist. So we do not believe large scale public job creation is needed.

Second, we believe that a program of this kind would substitute one form of dependence for another. It is necessary to move welfare recipients into the mainstream of life, not shunt them into welfare jobs.

However, approached carefully and wisely public service employment is an important addition to the manpower package. Programs like the Public Service

Careers program can prepare the disadvantaged for the regular jobs that are coming available in the public sector. And an improved Special Work Projects component is a desirable device to provide work experience which will help that person get real jobs in the future. However, we think these Special Work efforts should be temporary and reflect particular needs at a point in time in a local labor market. For these reasons we prefer a non-categorical approach, rather than earmarking of funds. We also intend to review Special Work Projects caseload periodically and try to move the enrollees as soon as possible into regular jobs or into training.

Questions Submitted by Senator Curtis With Departmental Responses

(Referred to at page 762 of the hearings.)

Question. I would like to know how much was provided in the 1970 budget for (a) child care, (b) training allowances and travel, and (c) training program expense.

Answer. Estimated Federal obligations in Fiscal Year 1970 for select Public Assistance activities:

a. Child Care -----	\$113, 660, 000
Work Incentives ¹ -----	15, 460, 000
Social Services ² -----	94, 000, 000
Child Welfare ³ -----	4, 200, 000
b. Training allowances and travel are not identified for public assistance programs conducted by the States. Training allowances and travel are included in the obligations listed under c. below.	
c. Training Programs ⁴ -----	128, 154, 000
Work Incentives ¹ -----	85, 734, 000
State and Local Training ² -----	33, 620, 000
Training Projects ⁵ -----	8, 800, 000

¹ Social Security Act (Title IV, Parts A and C).

² Social Security Act (Title IV, Part A).

³ Social Security Act (Title IV, Part B).

⁴ Excludes training provided under administration of Medical Assistance (Social Security Act, Title XIX).

⁵ Social Security Act (Title IV, Part B, and Section 707).

Question. Please give the figures for the same 3 programs for the first year under H.R. 16311. (See Question No. 1, above.)

Answer. It is estimated that in the first year under H.R. 16311 as revised in June 1970, there would be about \$0.4 billion in new Federal expenditures for child care and about \$0.2 billion for training allowances and other expenses of the training program under the proposed new part C of title IV of the Social Security Act.

In the case of the child care expenditure, these funds would be net additions to the roughly \$0.1 billion which would be expended under present law for this purpose.

With regard to expenditures under the job training program, the amount mentioned above would be a net addition to the roughly \$.1 billion which, it is estimated, would be spent under existing WIN program.

Question. I would like to have a chart made and inserted in the record for the State of Mississippi for the family assistance plan. I would like to have the columns set forth as they were in the chart used for New York City.

TABLE 1.—FAMILY ASSISTANCE—ADMINISTRATION'S JUNE REVISIONS
BENEFITS POTENTIALLY AVAILABLE TO A 4-PERSON FEMALE-HEADED FAMILY IN CORINTH, MISS.

Earnings	Benefits potentially available to only a minority of current AFDC recipients in Corinth, Miss.					Benefits potentially available to 7 percent of current AFDC recipients in Corinth, Miss.			Family health insurance ⁹				
	Family assistance ¹	State supplement ²	Total gross cash income	Total Federal, State, and social security taxes ^{3, 4, 5}	Cash income less taxes	Net cash income less FHIP contribution	Proposed schedule, food stamp bonus ⁶	Total net cash and food	Public housing bonus under proposed 1970 Housing Act ^{7, 8}	Total net cash, food, and public housing	Premium value ⁹	Subsidy	Total
0	\$1,600		\$1,600		\$1,600	\$1,600	\$840	\$2,440	\$752	\$3,192	\$500	\$500	\$3,692
\$720	1,600		2,320	\$37	2,283	2,247	611	2,858	608	3,466	500	464	3,930
\$1,000	1,460		2,460	52	2,408	2,365	566	2,931	580	3,511	500	457	3,968
\$2,000	960		2,960	104	2,856	2,788	407	3,195	480	3,675	500	432	4,107
\$3,000	460		3,460	156	3,304	3,188	248	3,436	380	3,816	500	384	4,200
\$4,000			4,000	236	3,764	3,594	76	3,670	262	3,932	500	330	4,262
\$5,000			5,000	432	4,568	4,223		4,223	12	4,235	500	155	4,390
\$6,000			6,000	648	5,352	5,352		5,352		5,352			5,352
\$7,000			7,000	895	6,105	6,105		6,105		6,105			6,105

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the first 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² State supplementary payments are based on current payment levels with a 67 percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes.

³ Federal income taxes computed on the schedule effective in 1972, assuming no surcharge.

⁴ State taxes are computed on current State schedules.

⁵ Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

⁶ Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the first year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

⁷ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the first \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20 to 25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program, subsidy is limited to principal and interest on the capital cost of the project and the aggregate

of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, form HUD 6148. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rent assumed is \$1,012.

⁸ Only approximately 6 percent of FAP families nationwide will live in public housing.

⁹ The assumption here is that the family health insurance program would replace the present medicad program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The follow-illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500, and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed. Contributions are deducted from net family income in column as marked.

¹⁰ Medical insurance subsidy does not represent cash income available to families, and should not be counted as part of total family income.

¹¹ Participation in the health plan has been assumed at all levels of eligibility, although coverage at higher income levels is optional, and it is likely that many families at the higher contribution levels will opt for private coverage. No deduction for private health insurance has been made for families not receiving family health insurance plan subsidy, although such families would typically purchase private coverage.

TABLE 2.—AMENDED H.R. 16311 AND HOUSING; CURRENT LAW FOOD AND MEDICAID—BENEFITS POTENTIALLY AVAILABLE TO A 4-PERSON FEMALE-HEADED FAMILY IN CORINTH, MISS.

Earnings	Benefits potentially available to only a minority of current AFDC recipients in Corinth, Miss.						Benefits potentially available to 7 percent of current AFDC recipients in Corinth, Miss.		Average vendor payments to health service for AFDC families ⁷ ⁸	
	Family assistance ¹	State supplement ²	Total gross cash income	Total Federal, State, and social security taxes ³	Net cash income	Current schedule food stamp bonus ⁴	Total net cash and food	Public housing bonus under proposed 1970 ⁵ housing Act ⁶		Total net cash, food and public housing
0.....	\$1,600.....	.....	\$1,600.....	.....	\$1,600.....	\$864.....	\$2,464.....	\$752.....	\$3,216.....	(9)
\$720.....	1,600.....	.....	2,320.....	37.....	2,283.....	624.....	2,907.....	608.....	3,515.....	(9)
\$1,000.....	1,460.....	.....	2,460.....	52.....	2,408.....	624.....	3,032.....	580.....	3,612.....	(9)
\$2,000.....	960.....	.....	2,960.....	104.....	2,856.....	.....	2,856.....	480.....	3,336.....	(9)
\$3,000.....	460.....	.....	3,460.....	156.....	3,304.....	.....	3,304.....	380.....	3,684.....	(9)
\$4,000.....	.....	.....	4,000.....	184.....	3,816.....	.....	3,816.....	262.....	4,078.....	(9)
\$5,000.....	.....	.....	5,000.....	432.....	4,568.....	.....	4,568.....	12.....	4,580.....	.....
\$6,000.....	.....	.....	6,000.....	648.....	5,353.....	.....	5,353.....	.....	5,353.....	.....
\$7,000.....	.....	.....	7,000.....	895.....	6,105.....	.....	6,105.....	.....	6,105.....	.....

¹ Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

² State supplementary payments are based on current payment levels with a 67 percent reduction rate for earnings after the initial disregard of \$720 and a single deduction for Federal income taxes.

³ Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social Security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

⁴ Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment and the purchase price, using the current food stamp schedule.

⁵ Only approximately 6 percent of FAP families nationwide will live in public housing.

⁶ The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess

of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20 to 25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, form HUD 6148. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rent assumed is \$1,020.

⁷ Medical benefit shown is the total (Federal and State) average vendor payments on behalf of AFDC families in State. Individual families may receive higher or lower value depending on medical needs. State eligibility standards apply.

⁸ Medicaid vendor payments do not represent cash income available to families and should not be counted as part of total family income. Such payments are made on behalf of families with medical needs only.

⁹ Amount of average vendor payments in Mississippi is presently unavailable.

Question. Professor Evaline Burns is a very distinguished person in the area of public welfare. In one of her papers she said:

"When contemplating the policies that have been applied in the past and considering those which might be applied in the future, it is impossible not to be both impressed and depressed by the extent to which policy decisions are made and perpetuated on the basis of beliefs about facts rather than tested knowledge. . . ."

Do you agree with Professor Burns?

Answer. The Department has the deepest respect for Dr. Burns' wisdom and scholarship in the broad area of social policy. We share Dr. Burns' concern about the extent to which some policy decisions may be arrived at on the basis of popular misconception, rather than hard and proven fact. Over the 17 years since this Department was established it has been dedicated to dispelling misconceptions, developing public awareness of actual facts, and careful social and economic research into the underlying causes and deeper meanings of the facts with which we are confronted. Thus the Department has striven, and we will continue to strive, toward the establishment of firm factual bases on which social and economic decisions may be based and clear and valid methods of evaluating public policy decisions in these areas.

While we share Dr. Burns' concern about the premises upon which public policy is sometimes based, we are confident that we are making and will continue to make every reasonable effort to assure that decisions relating to social policy will be based on the best available data and the judgment of those best qualified with regard to the matter at hand.

APPENDIX D

**(This Appendix Contains Tables and Charts Presented to the
Committee by the Department of HEW During Their Appearance
Before the Committee)**

Benefits Potentially Available to Four-Person Female-Headed Families Under Family Assistance and Current Law

Department of Health, Education, and Welfare—July 1970

HEW Explanation of Tables 1-12

These tables were prepared to permit comparison between the House-passed Family Assistance bill and related programs (tables 5-8), current law Aid to Families With Dependent Children (AFDC), (tables 1-4), and the Administration's June 11 Amendments to H.R. 16311 (tables 9-12). The example used is a female-headed family of four, assuming the family applied for and received all the income, food, housing, and medical benefits for which it was eligible. The vast majority of families, of course, do not receive all these benefits. It is estimated, for example, that approximately 10 percent of all AFDC families nationwide live in public housing, and not all eligible families elect to participate in food programs. Further, there are several ways of measuring the value of public housing. We have used in these tables the difference between rent paid for public housing and the rent for comparable private housing. This difference is considerably higher than the actual Federal subsidy per unit. Therefore, benefits should be regarded as illustrative of the maximum benefits potentially available to these families.

(1183)

**Benefits Potentially Available to 4-Person
Female-Headed Recipient Families in
PHOENIX, ARIZ.**

EARNINGS	AFDC ¹	TOTAL MONEY INCOME	FEDERAL INCOME TAX ²	STATE INCOME TAX ³	SOCIAL SECURITY TAX ⁴	NET MONEY INCOME	SURPLUS COMMODITY VALUE ⁵	TOTAL (FEDERAL & STATE) MEDICAID BENEFIT TO FAMILY ⁶	TOTAL MONEY AND IN-KIND ⁷	CURRENT PUBLIC HOUSING BONUS TO FAMILY ⁸	TOTAL
\$ 0	\$2,208	\$2,208				\$2,208	\$441	NO	\$2,649	\$1,078	\$3,727
720	2,208	2,928			\$ 35	2,893	441	MEDICAID	3,334	916	4,250
1,000	2,208	3,208			48	3,160	441	PROG.	3,601	853	4,454
2,000	1,779	3,779			96	3,683	441		4,124	725	4,849
3,000	1,319	4,319			144	4,175	441		4,616	603	5,219
4,000	858	4,858	\$140	\$ 8	192	4,518	441		4,959	482	5,441
5,000	398	5,398	316	23	240	4,819	441		5,260	360	5,620
6,000		6,000	528	37	288	5,147			5,147	360	5,507
7,000		7,000	708	58	336	5,900			5,900	100	6,000
8,000		8,000	902	79	374	6,645			6,645		6,645

See footnotes on p. 1186.

**Benefits Potentially Available to 4-Person
Female-Headed Recipient Families in
WILMINGTON, DEL.**

EARNINGS	AFDC ¹	TOTAL MONEY INCOME	FEDERAL INCOME TAX ²	STATE INCOME TAX ³	SOCIAL SECURITY TAX ⁴	NET MONEY INCOME	SURPLUS COMMODITY VALUE ⁵	TOTAL (FEDERAL & STATE) MEDICAID BENEFIT TO FAMILY ⁶	TOTAL MONEY AND IN-KIND ⁷	CURRENT PUBLIC HOUSING BONUS TO FAMILY ⁸	TOTAL
\$ 0	\$1,788	\$1,788				\$1,788	\$661	\$437	\$2,886	\$693	\$3,579
720	1,788	2,508			\$ 35	2,473	661	437	3,571	531	4,102
1,000	1,788	2,788			48	2,740	661	437	3,838	468	4,306
2,000	1,788	3,788			96	3,692	661	437	4,790	243	5,033
3,000	1,731	4,731			144	4,587	661	437	5,685	31	5,716
4,000	1,064	5,064	\$140	\$ 12	192	4,720	661	437	5,818		5,818
5,000	397	5,397	316	26	240	4,815	661	437	5,913		5,913
6,000		6,000	528	51	288	5,133			5,133		5,133

(NOTE: ONLY 29% OF ALL AFDC RECIPIENTS IN WILMINGTON LIVE IN PUBLIC HOUSING)

See footnotes on p. 1186.

Current Law

**Benefits Potentially Available to 4 - Person
Female-Headed Recipient Families in
CHICAGO, ILL.**

3

EARNINGS	AFDC ¹	TOTAL MONEY INCOME	FEDERAL INCOME TAX ²	STATE INCOME TAX ³	SOCIAL SECURITY TAX ⁴	NET MONEY INCOME	CURRENT FOOD STAMP BONUS ⁵	TOTAL (FEDERAL & STATE) AVERAGE MEDICAID BENEFIT TO FAMILY ⁶	TOTAL MONEY AND IN-KIND	CURRENT PUBLIC HOUSING BONUS TO FAMILY ⁷	TOTAL
\$ 0	\$2,976	\$2,976				\$2,976	\$ 480	\$ 790	\$4,246	\$ 840	\$5,086
720	2,976	3,696			\$ 35	3,661	360	790	4,811	840	5,651
1,000	2,976	3,976			48	3,928	312	790	5,030	840	5,870
2,000	2,590	4,590			96	4,494	288	790	5,572	840	6,412
3,000	1,923	4,923			144	4,779	288	790	5,857	840	6,697
4,000	1,256	5,256	\$ 140		192	4,924	288	790	6,002	840	6,842
5,000	589	5,589	316	\$ 11	240	5,022	288	790	6,100	840	6,940
6,000		6,000	528	21	288	5,163			5,163	960*	6,123
7,000		7,000	706	32	336	5,926			5,926	**	5,926
8,000		8,000	902	42	374	6,682			6,682	**	6,682
9,000		9,000	1,100	53	374	7,473			7,473		7,473

* BONUS INCREASES ABOVE AFDC BREAK-EVEN AS FAMILIES MOVE FROM WELFARE TO NONWELFARE RENT SCHEDULES
 ** ABOVE CONTINUED OCCUPANCY LIMITS, BUT FAMILY MAY BE ALLOWED TO STAY AT HIGHER RENT, UNTIL OTHER HOUSING IS LOCATED
 (NOTE: ONLY 18% OF ALL AFDC RECIPIENTS IN CHICAGO LIVE IN PUBLIC HOUSING.) *Current Law*

See footnotes on p. 1186.

**Benefits Potentially Available to 4 - Person
Female-Headed Recipient Families in
NEW YORK, N. Y.**

4

EARNINGS	AFDC ¹	TOTAL MONEY INCOME	FEDERAL INCOME TAX ²	STATE INCOME TAX ³	SOCIAL SECURITY TAX ⁴	NET MONEY INCOME	CURRENT SURPLUS COMMODITY VALUE ⁵	TOTAL (FEDERAL & STATE) AVERAGE MEDICAID BENEFIT TO FAMILY ⁶	TOTAL MONEY AND IN-KIND	CURRENT PUBLIC HOUSING BONUS TO FAMILY ⁷	TOTAL
\$ 0	\$3,576	\$3,576				\$3,576	\$ 522	\$1,153	\$5,251	\$ 420	\$5,671
720	3,576	4,296			\$ 35	4,261	522	1,153	5,936	420	6,356
1,000	3,382	4,382			48	4,334	522	1,153	6,009	420	6,429
2,000	2,715	4,715			96	4,619	522	1,153	6,294	420	6,714
3,000	2,048	5,048			144	4,904	522	1,153	6,579	420	6,999
4,000	1,381	5,381	\$ 140	\$ 1	192	5,048	522	1,153	6,723	420	7,143
5,000	714	5,714	316	28	240	5,130	522	1,153	6,805	420	7,225
6,000	47	6,047	528	55	288	5,176	522	1,153	6,851	420	7,271
7,000		7,000	706	91	336	5,867			5,867	720	6,587
8,000		8,000	902	127	374	6,597			6,597	720	7,317
9,000		9,000	1,100	170	374	7,356			7,356	*	7,356

* ABOVE CONTINUED OCCUPANCY LIMITS, BUT FAMILY MAY BE ALLOWED TO STAY UNTIL OTHER HOUSING IS LOCATED.
 BONUS INCREASES ABOVE AFDC BREAK-EVEN AS FAMILIES MOVE FROM WELFARE TO NONWELFARE RENT SCHEDULES.
 (NOTE: ONLY 6% OF ALL AFDC RECIPIENTS IN NEW YORK CITY LIVE IN PUBLIC HOUSING.) *Current Law*

See footnotes on p. 1186.

FOOTNOTES FOR CURRENT BENEFIT TABLES 1-4 WITH TOTAL (FEDERAL AND STATE) MEDICAID BENEFIT

1. State supplement is based on the following maximum payments: New York City—\$3,576 (adjusted for rent as paid to public housing); Chicago—\$2,976 (adjusted for rent as paid to public housing); Delaware—\$1,788; Arizona—\$2,208. Work-related expenses were based on estimated State averages of \$708 in Chicago, \$900 in New York; and general standard practice of \$480 in Phoenix and \$660 in Wilmington.

2. Federal tax based on current schedule, including surcharge.

3. State tax based on current schedules.

4. Social Security tax based on 4.3 percent of earnings up to \$7,800.

5. Food bonus based on value of surplus commodities (Phoenix, Wilmington and New York City) or food stamp bonus (Chicago) based on local eligibility schedules.

6. Medicaid benefit shown is the total (Federal and State) average benefit for all AFDC families in State. Individual families may receive higher or lower value depending upon medical needs. State eligibility standards apply.

7. Public housing bonus for New York and Chicago was calculated on the basis of the value of private market rentals less the maximum rent allotment for AFDC recipients (\$90 in Chicago and \$105 in New York).

In Phoenix and Wilmington flat AFDC grants are generally given, with no variation for rent. Hence, bonus equals the difference between rent paid and equivalent private market rents as calculated by HUD. Rents in Phoenix and Wilmington assume operation of the Brooke Amendment. Even where a welfare rent schedule is present, it was assumed that the Brooke Amendment would govern. Net income was computed for families in each city based on exemptions and deductions applied by each local authority's adopted policy, as revealed in HUD central files for public housing. The private annual gross rents assumed are as follows:

	<i>2 bedroom</i>
Phoenix -----	\$1,500
Wilmington -----	1,020
Chicago -----	1,920
New York City -----	1,680

5

**Selected Income-Tested Programs for a 4-Person
Female-Headed Family in
PHOENIX, ARIZ.**

EARNINGS	FAP BENEFIT	STATE ¹ SUPPLEMENT	TOTAL MONEY INCOME	FEDERAL ² INCOME TAX	STATE ³ INCOME TAX	SOCIAL ⁴ SECURITY TAX	SURPLUS ⁵ COMMODITY VALUE	AVERAGE ⁶ MEDICAID PAYMENT PER AFDC FAMILY	CURRENT ⁷ PUBLIC HOUSING BONUS	TOTAL INCOME MONEY AND IN-KIND FROM ALL SOURCES
\$ 0	\$1,600	\$ 608	\$2,208				\$ 441	NO	\$1,078	\$2,727
720	1,600	608	2,928			\$ 37	441	MEDICAID	916	4,248
1,000	1,460	613	3,073			52	441	PROGRAM	884	4,346
2,000	960	653	3,613			104	441		762	4,712
3,000	460	694	4,154			156	441		640	5,079
4,000		707	4,707	\$ 28	\$ 13	208	441		516	5,415
5,000		313	5,313	172	28	260	441		380	5,674
6,000			6,000	336	41	312			360	5,671
7,000			7,000	516	64	364			160	6,216
8,000			8,000	676	89	416				6,819

See footnotes on p. 1189.

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6

**Selected Income-Tested Programs for a 4-Person
Female-Headed Family in
WILMINGTON, DEL.**

EARNINGS	FAP BENEFIT	STATE ¹ SUPPLEMENT	TOTAL MONEY INCOME	FEDERAL ² INCOME TAX	STATE ³ INCOME TAX	SOCIAL ⁴ SECURITY TAX	SURPLUS ⁵ COMMODITY VALUE	AVERAGE ⁶ MEDICAID PAYMENT PER AFDC FAMILY	CURRENT ⁷ PUBLIC HOUSING BONUS	TOTAL INCOME MONEY AND IN-KIND FROM ALL SOURCES
\$ 0	\$1,600	\$ 188	\$1,788				\$ 661	\$ 437	\$ 693	\$2,579
720	1,600	188	2,508			\$ 37	661	437	531	4,100
1,000	1,460	328	2,788			52	661	437	468	4,302
2,000	960	828	3,788			104	661	437	243	5,025
3,000	460	852	4,312			156	661	437	125	5,379
4,000		664	4,664	\$ 28	\$13	208	661	437	46	5,559
5,000		93	5,093	172	28	260	661	437		5,731
6,000			6,000	336	51	312				5,301

See footnotes on p. 1189.

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7

**Selected Income-Tested Programs for a 4-Person
Female-Headed Family in
CHICAGO, ILL.**

EARNINGS	FAP BENEFIT	STATE ¹ SUPPLEMENT	TOTAL MONEY INCOME	FEDERAL ² INCOME TAX	STATE ³ INCOME TAX	SOCIAL ⁴ SECURITY TAX	SURPLUS ⁵ COMMODITY VALUE	AVERAGE ⁶ MEDICAID PAYMENT PER AFDC FAMILY	CURRENT ⁷ PUBLIC HOUSING BONUS	TOTAL INCOME: MONEY AND IN-KIND FROM ALL SOURCES
\$ 0	\$1,600	\$1,376	\$2,976				\$480	\$790	\$840	\$5,086
720	1,600	1,376	3,696			\$37	360	790	840	5,649
1,000	1,460	1,329	3,789			52	312	790	840	5,679
2,000	960	1,162	4,122			104	312	790	840	5,960
3,000	460	996	4,456			156	312	790	840	6,242
4,000		789	4,789	\$28		208	288	790	840	6,471
5,000		123	5,123	172	\$11	260	288	790	840	6,598
6,000			6,000	336	21	312			960 ^b	6,291
7,000			7,000	516	32	364			960 ^b	6,088

See footnotes on p. 1189.

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8

**Selected Income-Tested Programs for a 4-Person
Female-Headed Family in
NEW YORK, N.Y.**

EARNINGS	FAP BENEFIT	STATE ¹ SUPPLEMENT	TOTAL MONEY INCOME	FEDERAL ² INCOME TAX	STATE ³ INCOME TAX	SOCIAL ⁴ SECURITY TAX	SURPLUS ⁵ COMMODITY VALUE	AVERAGE ⁶ MEDICAID PAYMENT PER AFDC FAMILY	CURRENT ⁷ PUBLIC HOUSING BONUS	TOTAL INCOME: MONEY AND IN-KIND FROM ALL SOURCES
* 0	*1,600	*1,976	*3,576				*522	*1,153	*420	*5,671
720	1,600	1,976	4,296			*37	522	1,153	420	6,354
1,000	1,460	1,929	4,389			52	522	1,153	420	6,432
2,000	960	1,762	4,722			104	522	1,153	420	6,713
3,000	460	1,595	5,055			156	522	1,153	420	6,994
4,000		1,388	5,388	\$28	\$1	208	522	1,153	420	7,246
5,000		721	5,721	172	28	260	522	1,153	420	7,356
6,000		54	6,054	336	55	312	522	1,153	420	7,446
7,000			7,000	516	91	364			720 ^b	6,749
8,000			8,000	676	127	416			720	7,501
9,000			9,000	848	170	468			720 ^b	7,514

See footnotes on p. 1189.

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FOOTNOTES FOR PRECEDING TABLES 5-8

1. Based on current State payment levels and practices for a female-headed AFDC family of four with House-passed provisions of Sec. 452, and no deduction for Federal income taxes:

Arizona.—\$2,208 maximum for a family with no other income (69 percent of need standard of \$3,192).

Delaware.—\$1,788 maximum for a family with no other income (need standard of \$2,832). Payment is deficit or legislative maximum, whichever is less.

Illinois.—\$3,156 (100 percent of need standard) for a family with no other income. The payment is adjusted to include rent as paid to a public housing authority in Chicago (\$70 a month) for a typical unit.

New York.—\$3,756 (100 percent of need standard) for a family with no other income. The payment is adjusted to include rent as paid to a public housing authority in New York City (\$90 a month) for a typical unit.

2. Federal income tax calculated on the basis of the tax provisions in effect in 1972, assuming no surcharge.

3. Current State schedule.

4. Social security tax of 5.2 percent of income up to \$9,000 which will be in effect January 1, 1971.

5. Arizona, Delaware and New York City have surplus commodity programs. Independently of Family Assistance, New York City will institute a food stamp program in the fall of 1970.

Food stamp bonus in Illinois is the difference between the value of the coupon allotment and the purchase price of the coupons; based on current food stamp schedules, with mandatory payroll deduction subtracted from gross income in determining purchase price and eligibility.

6. Arizona has no Title XIX program. Amounts shown for Delaware, Illinois, and New York include Federal and State portions of Medicaid.

7. *Phoenix, Arizona*.—Public housing bonus is the HUD estimate of comparable relocation rental (\$1,500 yearly) minus amount of public housing rent paid. Calculated for 2-bedroom unit. Precise figures unavailable for proportion of AFDC recipients in Phoenix living in public housing.

Wilmington, Delaware.—Public housing bonus is the HUD estimate of comparable relocation rental (\$1,020 yearly) minus amount of public housing rent paid. Calculated for 2-bedroom unit. Only 29 percent of AFDC recipients in Wilmington live in public housing.

Chicago, Illinois.—Public housing bonus is the HUD estimate of comparable relocation rental (\$1,920 yearly) minus general maximum rent allotment of public assistance (\$90 monthly). Calculated for 2-bedroom unit. Approximately 18 percent of all AFDC recipients in Chicago live in public housing.

New York, New York.—Public housing bonus is the HUD estimate of comparable relocation rental (\$1,680 yearly) minus general maximum rent allotment of public assistance (\$105 monthly). Calculated for 2-bedroom unit. Approximately 8 percent of all AFDC recipients in New York City live in public housing.

8. Bonus rises as families move from welfare to non-welfare rent schedules.

9. Above continued occupancy limits, but family may be allowed to stay until other housing is located.

Benefits Potentially Available to 4-person Female-headed Family in⁹ PHOENIX, ARIZ.

EARNINGS	FAP ³ BENEFIT	STATE & SUPPLEMENT	TOTAL GROSS MONEY INCOME	FEDERAL ³ STATE AND SOCIAL SECURITY TAXES	PROPOSED ⁴ SCHEDULE FOOD STAMP BONUS	MEDICAL ⁵ INSURANCE BONUS	TOTAL NET MONEY AND IN-KIND	HOUSING ⁶ BONUS TO FAMILY UNDER PROPOSED 1970 HOUSING ACT ⁷	TOTAL NET MONEY AND IN-KIND
\$ 0	\$1,600	\$ 608	\$2,208		\$ 646	\$ 470	\$3,324	\$1,118	\$4,442
720	1,600	608	2,928	\$ 37	417	434	3,742	974	4,716
1,000	1,460	613	3,073	52	371	423	3,815	945	4,760
2,000	960	653	3,613	104	199	369	4,077	837	4,914
3,000	460	694	4,154	156	27	315	4,340	711	5,051
4,000		707	4,707	246		228	4,689	573	5,262
5,000		313	5,313	457		77	4,933	422	5,355
6,000			6,000	689			5,311	250	5,561
7,000			7,000	944			6,056		6,056

* ASSUMES TWO-BEDROOM UNIT

(INCLUDES PUBLIC HOUSING WHICH WILL BE AVAILABLE TO ONLY 6 PERCENT OF FAMILY ASSISTANCE FAMILIES NATIONWIDE)

H.R.16311-Amended

See footnotes on p. 1192.

Benefits Potentially Available to 4-person Female-headed Family in¹⁰ WILMINGTON, DEL.

EARNINGS	FAP BENEFIT ³	STATE & SUPPLEMENT	TOTAL GROSS MONEY INCOME	FEDERAL ³ STATE AND SOCIAL SECURITY TAXES	PROPOSED ⁴ SCHEDULE FOOD STAMP BONUS	MEDICAL ⁵ INSURANCE BONUS	TOTAL NET MONEY AND IN-KIND	HOUSING ⁶ BONUS TO FAMILY UNDER PROPOSED 1970 HOUSING ACT ⁷	TOTAL NET MONEY AND IN-KIND
\$ 0	\$1,600	\$188	\$1,788		\$ 780	\$ 491	\$3,059	\$ 722	\$3,781
720	1,600	188	2,508	\$ 37	551	455	3,477	578	4,055
1,000	1,460	328	2,788	52	462	441	3,639	522	4,161
2,000	960	828	3,788	104	144	351	4,179	322	4,501
3,000	460	852	4,312	156		299	4,455	192	4,647
4,000		664	4,664	249		239	4,654	104	4,758
5,000		93	5,093	460		132	4,765		4,765
6,000			6,000	699			5,301		5,301

* ASSUMES TWO-BEDROOM UNIT

(INCLUDES PUBLIC HOUSING WHICH WILL BE AVAILABLE TO ONLY 6 PERCENT OF FAMILY ASSISTANCE FAMILIES NATIONWIDE)

H.R.16311-Amended

See footnotes on p. 1192.

Benefits Potentially Available to 4-person Female-headed Family in " CHICAGO, ILL.

EARNINGS	FAP ³ BENEFIT	STATE ² SUPPLEMENT	TOTAL GROSS MONEY INCOME	FEDERAL ³ STATE, AND SOCIAL SECURITY TAXES	PROPOSED ⁴ SCHEDULE FOOD STAMP BONUS	MEDICAL ⁵ INSURANCE BONUS	TOTAL NET MONEY AND IN-KIND	HOUSING ⁶ BONUS TO FAMILY UNDER PROPOSED 1970 HOUSING ACT [*]	TOTAL NET MONEY AND IN-KIND
\$0	\$1,600	\$1,556	\$3,156		\$345	\$414	\$3,915	\$1,349	\$5,264
720	1,600	1,556	3,876	\$37	116	342	4,297	1,201	5,498
1,000	1,460	1,509	3,969	52	86	333	4,336	1,178	5,514
2,000	960	1,342	4,302	104		300	4,498	1,095	5,593
3,000	460	1,175	4,635	156		246	4,725	1,011	5,736
4,000		987	4,987	236		158	4,909	923	5,832
5,000		416	5,416	443		51	5,024	816	5,840
6,000			6,000	669			5,331	670	6,001
7,000			7,000	912			6,088	470	6,508
8,000			8,000	1,134			6,866	170	7,036
9,000			9,000	1,369			7,631		7,631

* ASSUMES TWO-BEDROOM UNIT

(INCLUDES PUBLIC HOUSING WHICH WILL BE AVAILABLE TO ONLY 6 PERCENT OF FAMILY ASSISTANCE FAMILIES NATIONWIDE) *HR 16311 Amended*

See footnotes on p. 1192.

Benefits Potentially Available to 4-person Female-headed Family in ¹² NEW YORK, N.Y.

EARNINGS	FAP ³ BENEFIT	STATE ² SUPPLEMENT	TOTAL GROSS MONEY INCOME	FEDERAL ³ STATE, AND SOCIAL SECURITY TAXES	PROPOSED ⁴ SCHEDULE FOOD STAMP BONUS	MEDICAL ⁵ INSURANCE BONUS	TOTAL NET MONEY AND IN-KIND	HOUSING ⁶ BONUS TO FAMILY UNDER PROPOSED 1970 HOUSING ACT [*]	TOTAL NET MONEY AND IN-KIND
\$ 0	\$1,600	\$2,156	\$3,756		\$ 154	\$ 354	\$4,264	\$ 989	\$5,253
720	1,600	2,156	4,476	\$ 37		282	4,721	811	5,532
1,000	1,460	2,109	4,569	52		263	4,780	788	5,568
2,000	960	1,942	4,902	104		180	4,978	705	5,683
3,000	460	1,775	5,235	156		96	5,175	621	5,796
4,000		1,587	5,587	237		8	5,358	533	5,891
5,000		1,016	6,016	460			5,556	426	5,982
6,000		459	6,459	703			5,756	315	6,071
7,000			7,000	971			6,029	180	6,209
8,000			8,000	1,219			6,781		6,781

* ASSUMES TWO-BEDROOM UNIT

(INCLUDES PUBLIC HOUSING WHICH WILL BE AVAILABLE TO ONLY 6 PERCENT OF FAMILY ASSISTANCE FAMILIES NATIONWIDE)

HR 16311 Amended

See footnotes on p. 1192.

FOOTNOTES FOR PRECEDING PROPOSED BENEFIT TABLES 9-12

1. Family Assistance benefits are \$1,600 for a family of four with no other income, based on \$500 each for the first two persons, \$300 each for succeeding persons. Family Assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

2. State supplementary payments are based on current payment levels with a 67 percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes. House passed provisions of calculating State payments apply (Sec. 452). State supplementary grants in New York and Chicago are based on States reported general maximum rent allotment.

3. Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social Security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

4. Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the first year of operation of Family Assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

5. The assumption here is that the Family Health Insurance Program would replace the present Medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following *illustrative* contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500, and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

6. The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That Act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of two. On the first \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses). The bonus is the difference between prevailing private rents for housing of modest standards in the four cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for four person families. The private annual gross rents assumed are as follows:

	2 bedroom
Phoenix	\$1, 500
Wilmington	1, 020
Chicago	1, 920
New York City	1, 680

**Benefits Potentially Available to Four-Person Female-Headed
Families**

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE—JULY 22, 1970

Explanation of Tables A-D

These tables were prepared, pursuant to a request by Senator John Williams, to show the cash and housing benefits potentially available under H.R. 16311 as revised by the Administration in June, but including current law food and medicaid programs instead of the Administration's June 11 revisions of these programs.

(1193)

TABLE A
BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILIES IN PHOENIX, ARIZ.—H.R. 16311—AMENDED

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, ³ and social security taxes	Current ⁴ schedule food stamp bonus	Total average ⁵ medicaid payment to AFDC family	Total net money and in-kind	Housing bonus to ⁶ family under proposed 1970 housing act*	Total net money and in-kind
\$0.....	\$1,600	\$608	\$2,208		\$690	(**)	\$2,898	\$1,118	\$4,016
\$720.....	1,600	608	2,928	\$37	480	(**)	3,371	974	4,345
\$1,000.....	1,460	613	3,073	52	408	(**)	3,429	945	4,374
\$2,000.....	960	653	3,613	104	360	(**)	3,869	837	4,706
\$3,000.....	460	694	4,154	156	312	(**)	4,310	711	5,021
\$4,000.....		707	4,707	246	288	(**)	4,749	573	5,322
\$5,000.....		313	5,313	457	288	(**)	5,144	422	5,566
\$6,000.....			6,000	689		(**)	5,311	250	5,561
\$7,000.....			7,000	944		(**)	6,056		6,056

*Assumes 2-bedroom unit. Includes public housing which will be available to only 6 percent of family assistance families nationwide.

**No medicaid program. See footnotes on p. 1198.

TABLE B

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILIES IN WILMINGTON, DEL.—H.R. 16311—AMENDED

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, ³ and social security taxes	Current ⁴ schedule food stamp bonus	Total average ⁵ medicaid payment to AFDC family	Total net money and in-kind	Housing bonus to ⁶ family under proposed 1970 housing act*	Total net money and in-kind
\$0.....	\$1,600	\$188	\$1,788		\$828	\$437	\$3,053	\$722	\$3,775
\$720.....	1,600	188	2,508	\$37	624	437	3,532	578	4,110
\$1,000.....	1,460	328	2,788	52	552	437	3,725	522	4,247
\$2,000.....	960	828	3,788	104	360	437	4,481	322	4,803
\$3,000.....	460	852	4,312	156	312	437	4,905	192	5,097
\$4,000.....		664	4,664	249	288	437	5,140	104	5,244
\$5,000.....		93	5,093	460	288	437	5,358		5,358
\$6,000.....			6,000	699			5,301		5,301

*Assumes 2-bedroom unit (includes public housing which will be available to only 6 percent of family assistance families nationwide).

See footnotes on p. 1198.

TABLE C

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILIES IN CHICAGO, ILL.—H.R. 16311 AMENDED

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, ³ and social security taxes	Current ⁴ schedule food stamp bonus	Total average ⁵ medicaid payment to AFDC family	Total net money and in-kind	Housing bonus to ⁶ family under proposed 1970 housing act ^a	Total net money and in-kind
\$0.....	\$1,600	\$1,556	\$3,156		\$408	\$790	\$4,354	\$1,349	\$5,703
\$720.....	1,600	1,556	3,876	\$37	312	790	4,941	1,210	6,142
\$1,000.....	1,460	1,509	3,969	52	312	790	5,019	1,178	6,197
\$2,000.....	960	1,342	4,302	104	312	790	5,300	1,095	6,395
\$3,000.....	460	1,175	4,635	156	288	790	5,557	1,011	6,568
\$4,000.....		987	4,987	236	288	790	5,829	923	6,752
\$5,000.....		416	5,416	443	288	790	6,051	816	6,867
\$6,000.....			6,000	669			5,331	670	6,001
\$7,000.....			7,000	912			6,088	420	6,508
\$8,000.....			8,000	1,134			6,866	170	7,036
\$9,000.....			9,000	1,369			7,631		7,631

1196

^a Assumes 2-bedroom units. (Includes public housing which will be available to only 6 percent of family assistance families nationwide.)

See footnotes on p. 1198.

TABLE D

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILIES IN NEW YORK CITY, N.Y.—H.R. 16311 AMENDED

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, ³ and social security taxes	Current ⁴ schedule food stamp bonus	Total average ⁵ medicaid payment to AFDC family	Total net money and in-kind	Housing bonus to ⁶ family under proposed 1970 housing act*	Total net money and in-kind
\$0.....	\$1,600	\$2,156	\$3,756		\$312	\$1,153	\$5,221	\$989	\$6,210
\$720.....	1,600	2,156	4,476	\$37	288	1,153	5,880	811	6,691
\$1,000.....	1,460	2,109	4,569	52	288	1,153	5,958	788	6,746
\$2,000.....	960	1,942	4,902	104	288	1,153	6,239	705	6,944
\$3,000.....	460	1,775	5,235	156	288	1,153	6,520	621	7,141
\$4,000.....		1,587	5,587	237	288	1,153	6,791	533	7,324
\$5,000.....		1,016	6,016	460	288	1,153	6,997	426	7,423
\$6,000.....		459	6,459	703	288	1,153	7,197	315	7,512
\$7,000.....			7,000	971			6,029	180	6,209
\$8,000.....			8,000	1,219			6,781		6,781

*Assumes 2-bedroom unit (includes public housing which will be available to only 6 percent of family assistance families nationwide).

See footnotes on p. 1198.

FOOTNOTES FOR PRECEDING PROPOSED BENEFIT TABLES A-D

1. Family Assistance benefits are \$1600 for a family of four with no other income, based on \$500 each for the first two persons, \$300 each for succeeding persons. Family Assistance benefits are reduced 50% for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

2. State supplementary payments are based on current payment levels with a 67% reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes. House passed provisions of calculating State payments apply (Sec. 452). State supplementary grants in New York and Chicago are based on State's reported general maximum rent allotment.

3. Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social Security taxes reflect the increase from 4.8 to 5.2% of earnings up to \$9000 which will be effective January 1971.

4. Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the first year of operation of Family Assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment and the purchase price, using the current food stamp schedule.

5. Medicaid benefit shown is the total (Federal and State) average benefit for AFDC families in State. Individual families may receive higher or lower value depending on medical needs. State eligibility standards apply.

6. The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That Act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of two. On the first \$3,500, families must pay 20% of net income for rent; on the amount over \$3,500, 25%. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the four cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for four person families. The private annual gross rents assumed are as follows:

	<i>2 bedroom</i>
Phoenix -----	\$1,500
Wilmington -----	1,020
Chicago -----	1,920
New York City -----	1,680

Benefits Potentially Available to Four-Person Female-Headed Families

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE—JULY 28, 1970

Explanation of Tables A-D

These tables were prepared, pursuant to a request by Senator John Williams, to show the cash and housing benefits potentially available under H.R. 16311 as revised by the Administration in June, but including current law food and medicaid programs instead of the Administration's June 11 revisions of these programs. **In addition, these tables include totals for net cash income and net cash income plus food stamp bonus potentially available.**

(1199)

TABLE A

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON, FEMALE-HEADED FAMILIES IN PHOENIX, ARIZ.—H.R. 16311—AMENDED

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State ³ and social security taxes	Net cash income	Current ⁴ schedule food stamp bonus	Total net cash and food	Total average ⁴ medicaid payment to AFDO family ^{**}	Total net money and in-kind	Housing bonus to ⁵ family under proposed 1970 housing act [*]	Total net money and in-kind
\$0.....	\$1,600	\$608	\$2,208		\$2,208	\$690	\$2,898		\$2,898	\$1,118	\$4,016
\$720.....	1,600	608	2,928	\$37	2,891	480	3,371		3,371	974	4,345
\$1,000.....	1,460	613	3,073	52	3,021	408	3,429		3,429	945	4,374
\$2,000.....	960	653	3,613	104	3,509	360	3,869		3,869	837	4,706
\$3,000.....	460	694	4,154	156	3,998	312	4,310		4,310	711	5,021
\$4,000.....		707	4,707	246	4,461	288	4,749		4,749	573	5,322
\$5,000.....		313	5,313	457	4,856	288	5,144		5,144	422	5,566
\$6,000.....			6,000	689	5,311		5,311		5,311	250	5,561
\$7,000.....			7,000	944	6,056		6,056		6,056		6,056

* Assumes 2-bedroom unit, includes public housing which will be available to only 6 percent of family assistance families nationwide.

** No medicaid program. See footnotes on p. 1204.

TABLE B

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILIES IN WILMINGTON, DEL.—H.R. 16311—AMENDED

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal ³ state / and social security taxes	Net cash income	Current ⁴ schedule food stamp bonus	Total net cash and food	Total average ⁵ medicaid payment to AFDO family	Total net money and in-kind	Housing bonus to ⁶ family under proposed 1970 housing act [*]	Total net money and in-kind
\$0.....	\$1,600	\$188	\$1,788	.....	\$1,788	\$828	\$2,616	\$437	\$3,053	\$722	\$3,775
\$720.....	1,600	188	2,508	\$37	2,471	624	3,095	437	3,532	578	4,110
\$1,000.....	1,460	328	2,788	52	2,736	552	3,288	437	3,725	522	4,247
\$2,000.....	960	828	3,788	104	3,684	360	4,044	437	4,481	322	4,803
\$3,000.....	460	852	4,312	156	4,156	312	4,468	437	4,905	192	5,097
\$4,000.....		664	4,664	249	4,415	288	4,703	437	5,140	104	5,244
\$5,000.....		93	5,093	460	4,633	288	4,921	437	5,358	.....	5,358
\$6,000.....			6,000	699	5,301	.....	5,301	.....	5,301	.....	5,301

* Assumes 2-bedroom unit (Includes public housing which will be available to only 6 percent of family assistance families nationwide).

See footnotes on p. 1204.

TABLE C

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILIES IN CHICAGO, ILL.—H.R. 16311—AMENDED

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, State, and social security taxes ³	Net cash income	Current schedule food stamp bonus ⁴	Total net cash and food	Total average medicaid payment to AFDC family ⁵	Total net money and in-kind	Housing bonus to family under proposed 1970 housing act ⁶	Total net money and in-kind
\$0.....	\$1,600	\$1,556	\$3,156		\$3,156	\$408	\$3,564	\$790	\$4,354	\$1,349	\$5,703
\$720.....	1,600	1,556	3,876	\$37	3,839	312	4,151	790	4,941	1,201	6,142
\$1,000.....	1,460	1,509	3,969	52	3,917	312	4,229	790	5,019	1,178	6,197
\$2,000.....	960	1,342	4,302	104	4,198	312	4,510	790	5,300	1,095	6,395
\$3,000.....	460	1,175	4,635	156	4,479	288	4,767	790	5,557	1,011	6,568
\$4,000.....		987	4,987	236	4,751	288	5,039	790	5,829	923	6,752
\$5,000.....		416	5,416	443	4,973	288	5,261	790	6,051	816	6,867
\$6,000.....			6,000	669	5,331		5,331		5,331	670	6,001
\$7,000.....			7,000	912	6,088		6,088		6,088	420	6,508
\$8,000.....			8,000	1,134	6,866		6,866		6,866	170	7,036
\$9,000.....			9,000	1,369	7,631		7,631		7,631		7,631

⁶ Assumes 2-bedroom units. (Includes public housing which will be available to only 6 percent of family assistance families nationwide.)

See footnotes on p. 1204.

TABLE D

BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON, FEMALE-HEADED FAMILIES IN NEW YORK CITY, N.Y.—H.R. 16311—AMENDED

Earnings	FAP benefit ¹	State supplement ²	Total gross money income	Federal, state ³ and social security taxes	Net cash income	Current ⁴ schedule food stamp bonus	Total net cash and food	Total average ⁵ medicaid payment to AFDO family	Total net money and in-kind	Housing bonus ⁶ to family under proposed 1970 housing act ^a	Total net money and in-kind
\$0.....	\$1,600	\$2,156	\$3,756	.....	\$3,756	\$312	\$4,068	\$1,153	\$5,221	\$989	\$6,210
\$720.....	1,600	2,156	4,476	\$37	4,439	288	4,727	1,153	5,880	811	6,691
\$1,000.....	1,460	2,109	4,569	52	4,517	288	4,805	1,153	5,958	788	6,746
\$2,000.....	960	1,942	4,902	104	4,798	288	5,086	1,153	6,239	705	6,944
\$3,000.....	460	1,775	5,235	156	5,079	288	5,367	1,153	6,520	621	7,141
\$4,000.....		1,587	5,587	237	5,350	288	5,638	1,153	6,791	533	7,324
\$5,000.....		1,016	6,016	460	5,556	288	5,844	1,153	6,997	426	7,423
\$6,000.....		459	6,459	703	5,756	288	6,044	1,153	7,197	315	7,512
\$7,000.....			7,000	971	6,029	.....	6,029	.....	6,029	180	6,209
\$8,000.....			8,000	1,219	6,781	.....	6,781	.....	6,781	.....	6,781

1203

^aAssumes 2-bedroom unit (includes public housing which will be available to only 6 percent of family assistance families nationwide).

See footnotes on p. 1204.

FOOTNOTES FOR PROPOSED BENEFIT TABLES A-D

1. Family Assistance benefits are \$1600 for a family of four with no other income, based on \$500 each for the first two persons, \$300 each for succeeding persons. Family Assistance benefits are reduced 50% for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

2. State supplementary payments are based on current payment levels with a 67% reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes. House passed provisions of calculating State payments apply (Sec. 452). State supplementary grants in New York and Chicago are based on State's reported general maximum rent allotment.

3. Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social Security taxes reflect the increase from 4.8 to 5.2% of earnings up to \$9000 which will be effective January 1971.

4. Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the first year of operation of Family Assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment and the purchase price, using the current food stamp schedule.

5. Medicaid benefit shown is the total (Federal and State) average benefit for AFDC families in State. Individual families may receive higher or lower value depending on medical needs. State eligibility standards apply.

6. The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That Act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of two. On the first \$3,500, families must pay 20% of net income for rent; on the amount over \$3,500, 25%. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the four cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for four person families. The private annual gross rents assumed are as follows:

	<i>2 bedroom</i>
Phoenix -----	\$1,500
Wilmington -----	1,020
Chicago -----	1,920
New York City -----	1,680

Benefits Potentially Available to Four-Person Female-Headed and Male-Headed Families Under Family Assistance and Current Law

**DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE—
AUGUST 6, 1970**

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Work Incentives, "Notches", and Reduction Rates in the Family Assistance Plan

Including:

- Notches and disincentives in the current AFDC program
 - Exclusion of the working poor
 - The "30 and $\frac{1}{2}$ " provisions of AFDC and AFDC-UF
 - Exclusion of full-time working men from AFDC-UF
- Elimination of the welfare notches and disincentives in Family Assistance
 - Notches created by other income-tested programs
 - Elimination of the notches in related income-tested programs under the Administration's June Revisions and Proposals
 - The trade-offs in income-tested programs
- Attachment: Graphs illustrating notches in current welfare programs

NOTCHES AND DISINCENTIVES IN THE CURRENT AFDC PROGRAM

The major objectives of the original Family Assistance legislation were to eliminate or reduce the inequities, "notches", and work disincentives in the current Aid to Families with Dependent Children (AFDC) program. Analysis of this program highlighted three principal problems which included the exclusion of full-time working men and their families from Federally-assisted programs; the "30 and $\frac{1}{2}$ " provisions for income disregards under AFDC and

AFDC-UF; and the definition of need in terms of hours in the AFDC-unemployed Father (UF) program;

A. EXCLUSION OF THE WORKING POOR

Since 1935, AFDC eligibility has been confined by the assumption that families headed by a full-time male worker do not need assistance. AFDC was accordingly designed for families headed by women and only in 1961 were provisions added for assistance to unemployed men and their families. The assumption that the income of full-time workers would by definition be adequate, however, has not been validated by experience. In 1968, 39 percent of the poor families with children in this country were headed by full-time workers. Thus, male and female-headed families in equal need are treated differentially. The result has been an understandable resentment on the part of those who are excluded. And, a financial incentive has been created for full-time working men either to reduce their hours of work to qualify for AFDC-UF—in the 23 States with a UF program—or to leave home in order for their families to qualify for AFDC (see Graphs A and B), where welfare would pay more than work.

B. THE "30 AND 1/3" PROVISIONS OF AFDC AND AFD-UF

In 1967 the Congress enacted the "30 and 1/3" provisions to provide work incentives for AFDC recipients. Recipients may now exclude the first \$30 a month and one-third of any remaining earnings from their income in calculating AFDC grants. These provisions have made it possible for AFDC recipients who work to have higher total incomes than non-recipient working women. If the earnings of a working woman have been in excess of the State-defined need standard, she is not eligible for any type of welfare support. However a working mother who happens to be earning less than the need standard will be eligible for supplementation of her wages to a level above the need standard through application of the "30 plus 1/3" earnings incentive formula. Once on welfare, this woman could have a total net income of earnings plus welfare which is higher than the income of the woman who has only her earnings. An incentive is thus created for working women to reduce their income—through reducing their hours of work—to qualify for supplementation (see Graph C).

The 30 and 1/3 provisions also apply to the UF program, and the same potential for wide discrepancies between the incomes of working men and UF recipients are present as in AFDC.

C. EXCLUSION OF FULL-TIME WORKING MEN FROM AFDC-UF

Under AFDC-UF, only families headed by "unemployed fathers"—defined by regulation as those working no more than 30 hours per week (or 35 hours, at each State's option)—are eligible. This definition of eligibility based on hours does not necessarily correspond to need. Someone who works full-time can be in equal or greater need than a less than full-time employed man, either because his wages per hour are lower or his needs—as defined by family size—are greater (see Graph D). Thus, a father on welfare will be better off working, under the 30 and 1/3 formula, so long as he does not work more than 30 hours per week. If he works more than that, he is suddenly no longer "unemployed" under the regulation, and he loses the supplementation to his earnings provided under the "30 and 1/3" formula. This measurement of need by hours means that men would often be *worse* off working full-time than by not working at all or keeping only a part-time job supplemented by welfare (see Graph D). Nor is the problem solved by simply changing the regulation to decrease the number of hours used to define unemployment, for that only moves the notch to a lower point on the earnings curve, leaving men with an incentive not to seek even part-time jobs which entail more than the permissible number of hours of work.

ELIMINATION OF THE WELFARE NOTCHES AND DISINCENTIVES IN FAMILY ASSISTANCE

Work incentives were provided under Family Assistance in three basic ways. First, Family Assistance is structured to make it profitable to work and to increase earnings by allowing recipients to keep a portion of benefits as income rises. Second, child care and training programs are enlarged. Third, the strong disincentives and notches in the current AFDC program which encourage working men and women to reduce earnings or hours of work in order to qualify for assistance are eliminated or greatly reduced.

Primary among the structural changes is the extension of income supplementation to the working poor, a measure which will have considerable anti-poverty impact and will bring about greater equity in the treatment of male and female-headed families, and working and non-working families. Because of this extended coverage, and because the current AFDC-UF program cannot be reformed so long as eligibility is based on hours of work, the UF program will be phased-out, thereby eliminating a second source of inequity and disincentive.

As a work incentive, and to cover the costs of going to work, the first \$60 a month of earnings (\$720 per year) would be completely disregarded in determining the amount of payments for a family. Federal income taxes would also be deducted from earnings. Then, Family Assistance benefits would be reduced \$1 for each \$2 of additional earned income above \$60 per month and Federal income taxes. This type of offset would provide an incentive for the family to work and increase its earnings.

The \$30 and 1/3 provisions of AFDC and AFDC-UF would be superseded by Family Assistance. Instead of the \$30 initial disregard, AFDC recipients would be allowed the standard Family Assistance disregard of \$60 per month. This standard deduction would also replace the other deductions some States currently allow for mandatory payroll taxes, transportation costs, health premiums, lunches during working days, to name but a few. While these deductions have of course made it profitable to work, they have resulted in raising the breakeven levels considerably, up to \$8,000 and \$9,000 and higher in some cases. These high breakeven levels and generous deductions have received considerable unfavorable publicity and have generated understandable resentment. The substitution of the standard deduction of \$720, plus a deduction for any Federal income taxes paid is a substantial gain in rationalization and insures that all working women will be treated equally, regardless of prior welfare status, unlike the current application of 30 and 1/3 which benefits only women already on welfare.

The financial incentives contained in the bill are bolstered by strong work requirements in the system itself. Adult members of families who apply for Family Assistance payments would be required to register for employment or training and to accept training or a suitable job opportunity when offered. Failure to register or to accept such a job or training opportunity would result in termination of the individual's benefit. The bill has been amended to raise the penalty for refusal to register or accept work or training from \$300 to \$500, and to clearly state that this penalty applies to each of the first two members of the family.

To make these work incentives and requirements effective, the Administration is seeking a major expansion of manpower, child care, and supportive service programs. Family members referred to a program will receive a monthly training allowance of \$30 in addition to their Family Assistance and State supplementary benefits, or the normal manpower training allowance in lieu of these if it is higher. Over \$600 million is being requested for these elements, of which \$386 million is for the child care component. After-school and summer day care services could be provided to 300,000 school aged-children, and full-day services for 150,000 pre-school children.

With the inclusion of the working poor and male-headed families, the rationalization of AFDC through the application of consistent income eligibility criteria to women already on welfare and those who are working, and the elimination of Federal participation in AFDC-UF, the notches in welfare have been taken out and financial incentives are built into both Family Assistance and State supplemental programs.

NOTCHES CREATED BY OTHER INCOME-TESTED PROGRAM

It is also possible, however, for "notches" to be created by the combination of Family Assistance and State supplementation with other income-tested programs, so that income ranges may be established over which the amount of benefits lost are greater than the added income from earnings. Such notches and other disincentives may be created in at least four ways:

Through the establishment of income cut-off points above and below which receipt of benefits may be an all or none phenomenon (an example is the surplus commodities program under which a constant food bundle is received at no cost as long as income is below a specified, State-determined level);

Through tying receipt of benefits under one program to eligibility for receipt of benefits in another (an example is the Medicaid program which is tied in most instances to receipt of AFDC or AFDC-UF);

Through defining eligibility for benefits in a manner which discriminates among recipients of equal earnings (examples here are the exclusion generally of male-headed families from Medicaid, the lower income-eligibility ceilings for food programs which are applied to male-headed families in nearly all States; and, finally,

Through the combination of benefit reduction formulae or income eligibility ceilings for cash, food, medical, public housing and tax programs which may raise the reduction rate to over 100 percent over certain income ranges.

ELIMINATION OF THE NOTCHES IN RELATED INCOME-TESTED PROGRAMS UNDER THE ADMINISTRATION'S JUNE REVISIONS

As demonstrated in the April hearings of the Senate Finance Committee, some Family Assistance recipients might be subject to work disincentives over certain income ranges due to these above factors. The Administration has provided for elimination of all notches in these related programs with its proposals of June 11 which:

1. smooth out the food stamp schedule (by administrative action) so that the benefits decline evenly to zero at the point at which the recipient becomes ineligible for further participation. Common eligibility criteria and benefit schedules would be applied to male and female-headed families;

2. phase-out the commodity program so that it will be almost wholly out of existence by July 1, 1972;

3. accept the solution of the proposed Housing Act of 1970 which directly relates housing subsidy to income; and

4. commit the Secretary of HEW to provide details of a Federal Family Health Insurance Plan by February, 1971 which would provide for a sliding scale of contributions and thereby eliminate the notches caused by the present Medicaid program.

THE TRADE-OFFS IN INCOME-TESTED PROGRAMS

This total elimination of notches and potential work disincentives, however, has not been without cost; there is an inevitable trade-off between the elimination of disincentives, the maintenance of a sufficiently low rate of benefit reduction to encourage work effort, the provision of a minimum support level for families with no other income, and the necessity to keep overall program costs and caseloads within reasonable limits.

All of these factors interrelate in basic mathematical ways, so that tampering with one constraint inevitably produces changes in others. For example, if the benefit reduction rate is lowered and all else remains constant, the caseloads and program costs increase, and incentives to work improve. Also, as the break-even level rises, the program becomes much less poverty efficient, as increasing proportions of benefits go to the nonpoor. These interrelationships and tradeoffs are built into any welfare system—AFDC as well as FAP.

The following table illustrates the trade-offs involved in terms of greatly increased costs and coverage if the Family Assistance reduction rate alone is reduced from 50% to 30%.

Tax rate (percent)	Breakeven point ¹	Additional cost over current plan (in billions)	Additional families over current plan (in thousands)
50.....	\$3,920		
45.....	4,275	\$0.4-\$0.6	250
40.....	4,720	1.5-1.8	1,110
35.....	5,291	3.5-4.0	2,300
30.....	6,050	6.0-7.0	3,200

¹ For a family of 4.

The problem is exacerbated if a constant 50% rate is attempted for the total package of cash, food, housing, and medical insurance benefits. In Wilmington,

Delaware, which has a relatively low State supplement level, the breakeven level exclusive of Federal, State, and Social Security taxes would be \$9,880 for a family receiving the greatest potential benefits.

Family Assistance and State supplement-----	\$1,788
Public housing comparable rent-----	1,020
Food stamp allotment-----	1,272
Medical insurance-----	500
Total -----	4,580

$$4,580 \times 2 + 720 = \$9,880$$

In higher benefit States, the breakeven would be considerably higher, so that costs and caseloads are impossible to calculate. Unless we give free food stamps to all who wish them, provide universal free health care, and public housing for everyone who wants it regardless of income, we must find some means of limiting benefits to the most needy and limiting costs and caseloads by reducing benefits as income rises. As shown in the tables for Current Law, poverty concentration has been accomplished at the price of equity and incentives in the past by establishing arbitrary income eligibility cut-off points below which persons received 100% of benefits, and above which no benefits, as in the case of commodities and Medicaid. This, as the Senate Finance Committee has pointed out, produces notches and severe disincentives at the cut-off points, while providing for greater work incentives at lower earnings levels. Eliminating the notches can only be done by establishing a sliding benefit schedule which must inevitably produce higher benefit reduction rates at lower earnings levels. These are the difficult trade-offs which must be made if all notches are to be eliminated.

Thus, the Committee has noted that the resolution of these conflicting objectives may produce rather substantial reduction rates over certain income ranges in specific cases where a recipient receives cash benefits and benefits from one or more in-kind programs. The Administration believes its proposals to have struck a reasonable balance among these conflicting objectives in view of the considerable amount of cash work incentives provided to the majority of recipients and the extent of the economic sanctions and non-economic incentives present in the system.

There are four major factors which, in combination, should provide sufficient incentives to outweigh the criticism of inadequate incentive provisions in the Administration proposals.

First, only a tiny minority of recipients receive benefits from all of the related programs which results in these lowered incentives (less than 6% of all Family Assistance families nationwide will live in the 857,586 public housing units currently under management; less than 40% of the poor are currently receiving food or commodity benefits; and a substantial proportion receive no Medicaid benefits during any given year because they do not have medical needs).

And, there is substantial evidence that recipients do not consider in-kind benefits to be equivalent to spendable cash incomes just as non-recipient families do not consider employer paid health benefits to be a substitute for cash income. It may be quite misleading to put a cash value on, say, medical subsidies and portray these as additions to total family income or as benefits which induce the majority of recipients to curtail work effort in order to prevent loss. Such disincentives may occur at the State supplement breakeven level—when a recipient has the option of increasing earnings and leaving the welfare rolls—but even here the disincentives are likely to be severe only for families with large and predictable health care needs. Most recipients would rather earn the \$1,000 which would make them ineligible for AFDC and Medicaid in order to gain the spendable cash income. Families generally think in terms of increased gross income rather than declining in-kind benefits.

The situation with public housing and food or commodity benefits is similar, so that the incremental total cash benefits with increased income is a more relevant and compelling factor—and here the positive incentives built into Family Assistance are substantial.

Third, there is evidence that families would rather, when financially able, exercise full consumer choice in regard to type and location of their housing or the kind of food they may purchase. Many eligible families do not participate

in commodity distribution programs, for example, because it is inconvenient to haul bulky food parcels home, the foodstuffs are not necessarily those they would have chosen to purchase, and they would rather avoid the waiting lines and administrative procedures associated with the program. Similarly, many eligible families do not participate in food stamp and public housing programs for a variety of personal, social, and economic reasons. Many public housing tenants simply do not value these units at the comparable private rental value assigned, and would prefer to live in private housing. Only increased cash income facilitates such choices.

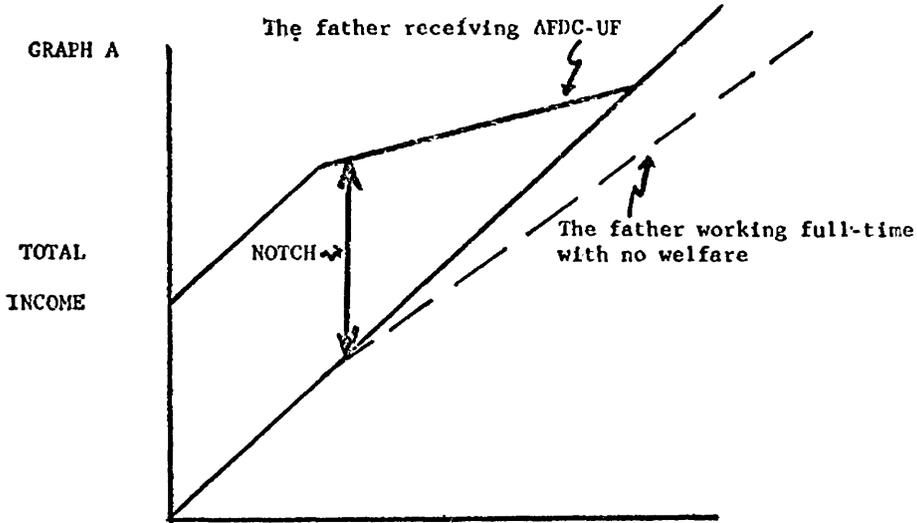
Fourth, and perhaps most important, are the entire range of employment-related incentives which make Family Assistance a "workfare" bill. The required registration for training (an incentive in itself to break out of a low-wage future) or employment, the exclusion of work-related expenses of \$720 annually from income, the additional \$30 monthly excludable allowance for training, day care services—all of these support the incentive of a recipient to work. The sanction of a \$500 loss of benefits for *each* of the first two eligible members of a family who refuse training or employment is a strong sanction against reduced work effort which further supports the incentive pattern.

There is finally, the urge of most men and women to feel productively employed, to value the salary and status of employment, and to contribute to their family's economic well-being.

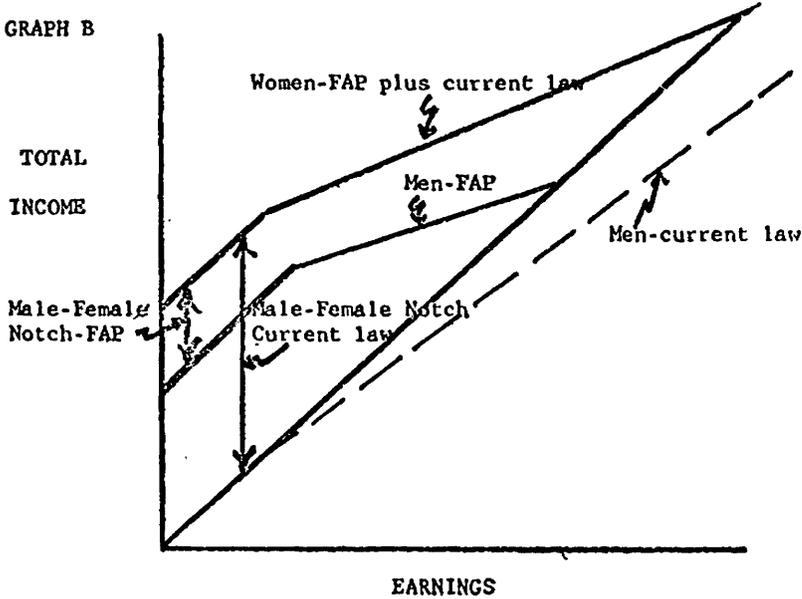
These factors argue strongly that the reduction rates of the bill, even when combined with other, non-welfare programs, do not vitiate the work incentives of the Family Assistance Plan.

ATTACHMENT

The Notch for the Working Poor

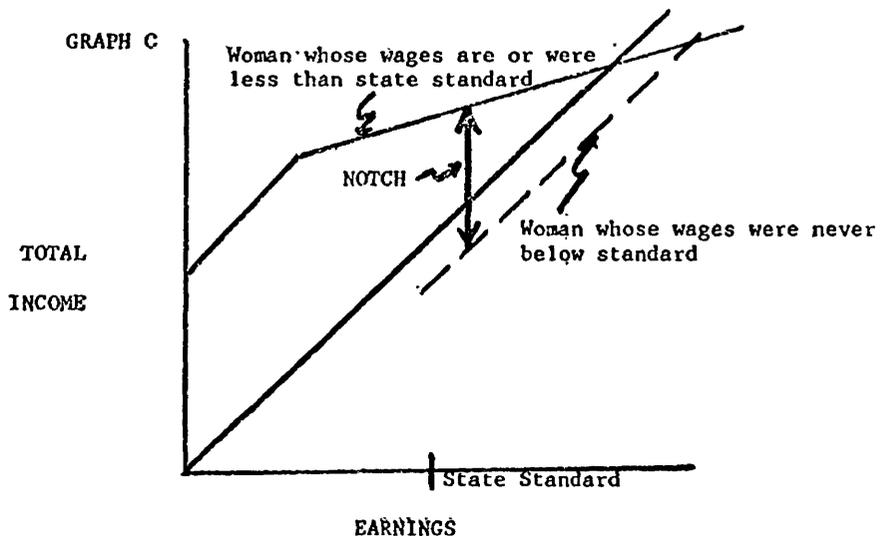


EARNINGS
The Notch between Men and Women in a State without AFDC-UF

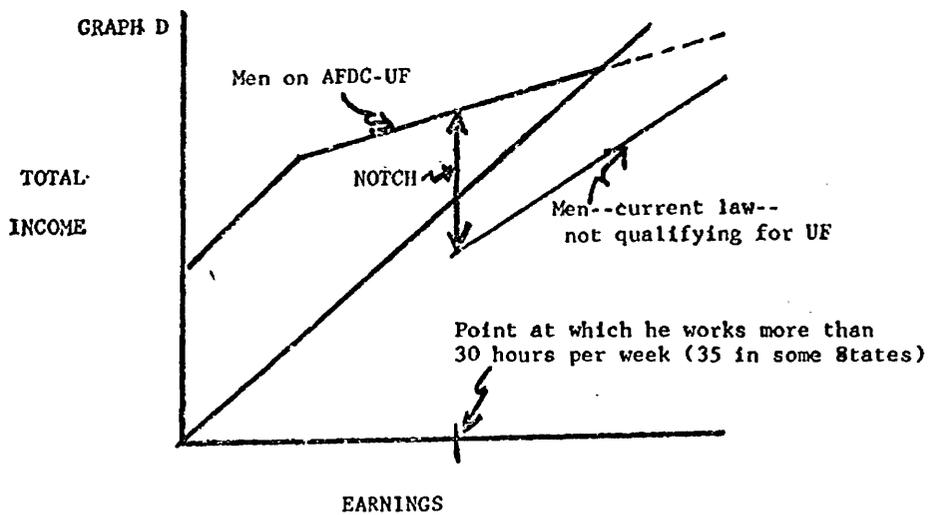


ATTACHMENT (2)

The "30 & 1/3" Notch for Working Women



The 30-hour Notch for Unemployed Fathers



Explanation of Tables 1-16

These tables were prepared to permit comparison between the House-passed Family Assistance bill and related programs, current law Aid to Families with Dependent Children (AFDC), and the Administration's June 11 Amendments to H.R. 16311. The example used is a female-headed family of four, assuming the family applied for and received all the income, food, housing, and medical benefits for which it was eligible. The vast majority of families, of course, do not receive all these benefits. It is estimated, for example, that approximately 10% of all AFDC families nationwide live in public housing, and not all eligible families elect to participate in food programs. Further, there are several ways of measuring the value of public housing. We have used in these tables the difference between rent paid for public housing and the rent for comparable private housing. This difference is considerably higher than the actual Federal subsidy per unit. Therefore, benefits should be regarded as illustrative of the *maximum* benefits potentially available to these families.

TABLE 1.—CURRENT LAW

[Benefits potentially available to 4-person female-headed families in Phoenix, Ariz.]

Earnings	Benefits potentially available to the majority of current AFDC recipients						Benefits potentially available to less than the majority of current AFDC recipients		Total
	AFDC ¹	Total gross cash income	Total Federal, State, and social security taxes ^{2,4}	Net cash income	Current surplus commodities value ⁵	Total net cash and food	Current public housing bonus ⁶	Total net cash, food, and public housing	
\$0.....	\$2,208	\$2,208		\$2,208	\$441	\$2,649	\$1,078	\$3,727	\$3,727
\$720.....	2,208	2,928	\$35	2,893	441	3,334	916	4,250	4,250
\$1,000.....	2,208	3,208	48	3,160	441	3,601	853	4,454	4,454
\$2,000.....	1,779	3,779	96	3,683	441	4,124	725	4,849	4,849
\$3,000.....	1,319	4,319	144	4,175	441	4,616	603	5,219	5,219
\$4,000.....	858	4,858	340	4,518	441	4,959	482	5,441	5,441
\$5,000.....	398	5,398	579	4,819	441	5,260	360	5,620	5,620
\$6,000.....		6,000	853	5,147		5,147	360	5,507	5,507
\$7,000.....		7,000	1,100	5,900		5,900	100	6,000	6,000
\$8,000.....		8,000	1,355	6,645		6,645		6,645	6,645

See footnotes on p. 1218.

TABLE 2.—CURRENT LAW

[Benefits potentially available to 4-person female-headed families in Wilmington, Del.]

44-527-70-pt. 2-33

Earnings	Benefits potentially available to 71 percent of current AFDC recipients					Benefits potentially available to 29 percent of current AFDC recipients			Average vendor payments to health services for AFDC families * 7	Total
	AFDC 1	Total gross cash income	Federal, State, and Social Security taxes ^{2,3,4}	Net cash income	Current surplus commodities value ⁵	Total net cash and food	Current public housing bonus ⁶	Total net cash, food, and public housing		
\$0.....	\$1,788	\$1,788	\$35	\$1,788	\$661	\$2,449	\$693	\$3,142	\$437	\$3,579
720.....	1,788	2,508	48	2,473	661	3,134	531	3,665	437	4,102
1,000.....	1,788	2,788	96	2,740	661	3,410	468	3,869	437	4,306
2,000.....	1,788	3,788	144	3,692	661	4,353	243	4,596	437	5,033
3,000.....	1,731	4,731	344	4,587	661	5,248	31	5,279	437	5,716
4,000.....	1,064	5,064		4,720	661	5,381		5,381	437	5,818
5,000.....	397	5,397	582	4,815	661	5,476		5,476	437	5,913
6,000.....		6,000	867	5,133		5,133		5,133		5,133

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* Medical vendor payments do not represent cash income available to families, and should not be counted as part of total family income. Such payments are made on behalf of families with medical needs only.

See footnotes on p. 1218.

TABLE 3.—CURRENT LAW

[Benefits potentially available to 4-person female-headed families in Chicago, Ill.]

Earnings	Benefits potentially available to 82 percent of current AFDC recipients						Benefits potentially available to 18 percent of current AFDC recipients		Average vendor payments to health services for AFDC families ** 7	Total
	AFDC * 1	Total gross cash income	Total Federal, State, and social security taxes 2 3 4	Net cash income	Current schedule, food-stamp bonus 5	Total net cash and food	Current public housing bonus 6	Total net cash, food, and public housing		
\$0.....	\$2,976	\$2,976		\$2,976	\$480	\$3,456	\$840	\$4,296	\$790	\$5,086
\$720.....	2,976	3,696	\$35	3,661	360	4,021	840	4,861	790	5,651
\$1,000.....	2,976	3,976	48	3,928	312	4,240	840	5,080	790	5,870
\$2,000.....	2,590	4,590	96	4,494	288	4,782	840	5,622	790	6,412
\$3,000.....	1,923	4,923	144	4,779	288	5,067	840	5,907	790	6,697
\$4,000.....	1,256	5,256	332	4,924	288	5,212	840	6,052	790	6,842
\$5,000.....	589	5,589	567	5,022	288	5,310	840	6,150	790	6,940
\$6,000.....		6,000	837	5,163		5,163	960	6,123		6,123
\$7,000.....		7,000	1,074	5,926		5,926	(⁹)	5,926		5,926
\$8,000.....		8,000	1,318	6,682		6,682	(⁹)	6,682		6,683
\$9,000.....		9,000	1,527	7,473		7,473		7,473		7,472

* The AFDC maximum payment level (\$3,156) is adjusted here to \$2,976 because public housing rent is less than the maximum AFDC rent allowance.
 ** Medical vendor payments do not represent cash income available to

families and should not be counted as part of total family income. Such payments are made on behalf of families with medical needs only.

See footnotes on p. 1218.

TABLE 4.—CURRENT LAW

[Benefits Potentially Available to 4-Person Female-Headed Families in New York City, N.Y.]

Earnings	Benefits potentially available to 92 percent of current AFDC recipients					Benefits potentially available to 8 percent of current AFDC recipients		Average vendor payments to health services for AFDC families ⁷ ***	Total	
	AFDC ^{1*}	Total gross cash income	Total Federal, State, and social security taxes ^{2,4}	Net cash income	Current schedule food stamp bonus ⁵	Total net cash and food	Current public housing bonus ⁶			Total net cash, food, and public housing
\$0.....	\$3,576	\$3,576		\$3,576	\$360	\$3,936	\$420	\$4,356	\$1,153	\$5,509
\$720.....	3,576	4,296	\$35	4,261	312	4,573	420	4,993	1,153	6,146
\$1,000.....	3,382	4,382	48	4,334	288	4,622	420	5,042	1,153	6,195
\$2,000.....	2,715	4,715	96	4,619	288	4,907	420	5,327	1,153	6,480
\$3,000.....	2,048	5,048	144	4,904	288	5,192	420	5,612	1,153	6,765
\$4,000.....	1,381	5,381	333	5,048	288	5,336	420	5,756	1,153	6,909
\$5,000.....	714	5,714	584	5,130	288	5,418	420	5,838	1,153	6,991
\$6,000.....	47	6,047	871	5,176	288	5,464	420	5,884	1,153	7,037
\$7,000.....		7,000	1,133	5,867		5,867	⁸ 720	6,587		6,587
\$8,000.....		8,000	1,403	6,597		6,597	⁸ 720	7,317		7,317
\$9,000.....		9,000	1,644	7,356		7,356	(⁹)	7,356		7,356

*The AFDC maximum payment level (\$3,756) is adjusted here to \$3,576 because public housing rent is less than the maximum AFDC rent allowance.
 **Independently of family assistance, New York will institute a food stamp program in the fall of 1970. Therefore, the current schedule food stamp bonus is shown here rather than the commodity value.

***Medical vendor payments do not represent cash income available to families, and should not be counted as part of total family income. Such payments are made on behalf of families with medical needs only.

See footnotes on p. 1218.

FOOTNOTES FOR CURRENT BENEFIT TABLES 1-4

1. State supplement is based on the following maximum payments: New York City—\$3,756 (adjusted for rent as paid to public housing); Chicago—\$3,156 (adjusted for rent as paid to public housing); Delaware—\$1,788; Arizona—\$2,208. Work-related expenses were based on estimated State averages of \$708 in Chicago, \$900 in New York; and general standard practice of \$480 in Phoenix and \$660 in Wilmington.

2. Federal tax based on current schedule, including surcharge.

3. State tax based on current schedules.

4. Social Security tax based on 4.8% of earnings up to \$7,800.

5. Food bonus based on value of surplus commodities (Phoenix and Wilmington) or food stamp bonus (Chicago and New York) based on local eligibility schedules. Independently of Family Assistance, New York will institute a food stamp program in the fall of 1970. Therefore, the current schedule food stamp bonus is included here rather than the commodity value. Food stamp bonus is the difference between the value of the coupon allotment (\$1,272 per annum) and the purchase price of the coupons; based on current food stamp schedules, with mandatory payroll deductions subtracted from gross income in determining purchase price and eligibility.

6. Public housing bonus for New York and Chicago was calculated on the basis of the value of private market rentals less the maximum rent allotment for AFDC recipients (\$90 in Chicago and \$105 in New York).

In Phoenix and Wilmington flat AFDC grants are generally given, with no variation for rent. Hence, bonus equals the difference between rent paid and equivalent private market rents as calculated by HUD. Rents in Phoenix and Wilmington assume operation of the Brooke Amendment. Even where a welfare rent schedule is present, it was assumed that the Brooke Amendment would govern. Net income was computed for families in each city based on exemptions and deductions applied by each local authority's adopted policy, as revealed in HUD central files for public housing. The private annual gross rents assumed are as follows:

	<i>2 bedroom</i>
Phoenix -----	\$1, 500
Wilmington -----	1, 020
Chicago -----	1, 920
New York City -----	1, 680

7. Medicare benefit shown is the total (Federal and State) average payment on behalf of all AFDC families in State. Individual families may receive higher or lower value depending upon medical needs. State eligibility standards apply.

8. Bonus rises as families move from welfare to non-welfare rent schedules.

9. Above continued occupancy, but families may be allowed to stay until other housing is located.

TABLE 5.—FAMILY ASSISTANCE, H.R. 16311

[Benefits potentially available to a 4-person female-headed family in Phoenix, Ariz.]

Earnings	Benefits potentially available to the majority of current AFDC recipients						Benefits potentially available to a minority of current AFDC recipients			Total
	Family assistance ¹	State supplement ²	Total gross cash income	Total Federal, State, and social security taxes ^{3,4,5}	Net cash income	Current surplus commodities value ⁶	Total net cash and food	Current public housing bonus ^{7*}	Total net cash, food, and public housing	
\$0.....	\$1,600	\$608	\$2,208		\$2,208	\$441	\$2,649	\$1,078	\$3,727	\$3,727
\$720.....	1,600	608	2,928	\$37	2,891	441	3,332	916	4,248	4,248
\$1,000.....	1,460	613	3,073	52	3,021	441	3,462	884	4,346	4,346
\$2,000.....	960	653	3,613	104	3,509	441	3,950	762	4,712	4,712
\$3,000.....	460	694	4,154	156	3,998	441	4,439	640	5,079	5,079
\$4,000.....		707	4,707	246	4,461	441	4,902	516	5,418	5,418
\$5,000.....		313	5,313	457	4,856	441	5,297	380	5,677	5,677
\$6,000.....			6,000	689	5,311		5,311	360	5,671	5,671
\$7,000.....			7,000	944	6,056		6,056	160	6,216	6,216
\$8,000.....			8,000	1,181	6,819		6,819		6,819	6,819

*The majority of AFDC recipients in Phoenix do not live in public housing, and only 6 percent of family assistance families nationwide will live in public housing.

See footnotes on p. 1223.

TABLE 6.—FAMILY ASSISTANCE, H.R. 16311

[Benefits potentially available to a 4-person female-headed family in Wilmington, Del.]

Earnings	Benefits potentially available to 71 percent of current AFDC recipients						Benefits potentially available to 29 percent of current AFDC recipients			Average vendor payments to health services for AFDC families ***	Total
	Family assistance ¹	State supplement ²	Total gross cash income	Total Federal, State and social security taxes ^{3,4}	Net cash income	Current surplus commodities value ⁵	Total net cash and food	Current public housing bonus ^{7,8}	Total net cash, food and public housing		
\$0.....	\$1,000	\$188	\$1,788		\$1,788	\$661	\$2,449	\$693	\$3,142	\$437	\$3,579
\$720.....	1,600	188	2,508	\$37	2,471	661	3,132	531	3,663	437	4,100
\$1,000.....	1,460	328	2,788	52	2,736	661	3,397	468	3,865	437	4,302
\$2,000.....	960	828	3,788	104	3,684	661	4,345	243	4,588	437	5,025
\$3,000.....	460	852	4,312	156	4,156	661	4,817	125	4,942	437	5,379
\$4,000.....		664	4,664	249	4,415	661	5,076	46	5,122	437	5,559
\$5,000.....		93	5,093	460	4,633	661	5,294		5,294	437	5,731
\$6,000.....			6,000	699	5,301		5,301		5,301		5,301

¹Only 29 percent of all AFDC recipients in Wilmington live in public housing, and only 6 percent of family assistance families nationwide will live in public housing.

²Medical vendor payments do not represent cash income available to

families, and should not be counted as part of total family income. Such payments are made on behalf of families with medical needs only.

(See footnotes on p. 1223.)

TABLE 7.—FAMILY ASSISTANCE, H.R. 16311

[Benefits potentially available to a 4-person female-headed family in Chicago, Ill.]

Earnings	Benefits potentially available to 82 percent of current AFDC recipients in Chicago						Benefits potentially available to 18 percent of current AFDC recipients in Chicago		Average vendor payments to health services for AFDC families ^{***}	Total	
	Family ¹ assistance	State ² supplement ^a	Total gross cash income	Total Federal, State, and social security taxes ^{3,3}	Net cash income	Current schedule food stamp bonus	Total net cash and food	Current public housing bonus ^{7,8}			Total net cash, food, and public housing
\$0.....	\$1,600	\$1,376	\$2,976		\$2,976	\$480	\$3,456	\$840	\$4,296	\$790	\$5,086
\$720.....	1,600	1,376	3,696	\$37	3,659	360	4,019	840	4,859	790	5,649
\$1,000.....	1,460	1,329	3,789	52	3,737	312	4,049	840	4,889	790	5,679
\$2,000.....	960	1,162	4,122	104	4,018	312	4,330	840	5,170	790	5,960
\$3,000.....	460	996	4,456	156	4,300	312	4,612	840	5,452	790	6,242
\$4,000.....		789	4,789	236	4,553	288	4,841	840	5,681	790	6,471
\$5,000.....		123	5,123	443	4,680	288	4,968	840	5,808	790	6,598
\$6,000.....			6,000	669	5,331		5,331	⁹ 960	6,291		6,291
\$7,000.....			7,000	912	6,088		6,088	⁽¹⁰⁾	6,088		6,088
\$8,000.....			8,000	1,134	6,866		6,866		6,866		6,866
\$9,000.....			9,000	1,369	7,631		7,631		7,631		7,631

^aThe maximum AFDC grant (\$3,156) is adjusted here for rent as paid to public housing, according to current State practice.

⁹Only 18 percent of all AFDC recipients in Chicago live in public housing, and only 6 percent of family assistance families nationwide will live in public housing.

^{***}Medical vendor payments do not represent cash income available to families and should not be counted as part of total family income. Such payments are made on behalf of families with medical needs only.

See footnotes on p. 1223.

TABLE 8.—H.R. 16311—FAMILY ASSISTANCE

[Benefits potentially available to a 4-person, female-headed family in New York City, N.Y.]

Earnings	Benefits potentially available to 92 percent of current AFDC recipients						Benefits potentially available to 8 percent of current AFDC recipients		Average vendor payments to health services for AFDC families ^{*****}	Total	
	Family ¹ assistance	State ² supplement [*]	Total gross cash income	Total Federal, State and social security taxes ³⁻⁵	Net cash income	Current schedule food stamp bonus ^{6**}	Total net cash and food	Current public housing bonus ^{7***}			Total net cash, food and public housing
\$0.....	\$1,600	\$1,976	\$3,576		\$3,576	\$360	\$3,936	\$420	\$4,356	\$1,153	\$5,509
\$720.....	1,600	1,976	4,296	\$37	4,259	312	4,571	420	4,991	1,153	6,144
\$1,000.....	1,460	1,929	4,389	52	4,337	288	4,625	420	5,045	1,153	6,198
\$2,000.....	960	1,762	4,722	104	4,618	288	4,906	420	5,326	1,153	6,479
\$3,000.....	460	1,595	5,055	156	4,899	288	5,187	420	5,607	1,153	6,760
\$4,000.....		1,388	5,388	237	5,151	288	5,439	420	5,859	1,153	7,012
\$5,000.....		721	5,721	460	5,261	288	5,549	420	5,969	1,153	7,122
\$6,000.....		54	6,054	703	5,351	288	5,639	420	6,059	1,153	7,212
\$7,000.....			7,000	971	6,029		6,029	⁹ 720	6,749		6,749
\$8,000.....			8,000	1,219	6,781		6,781	⁹ 720	7,511		7,511
\$9,000.....			9,000	1,486	7,514		7,514	(¹⁰)	7,514		7,514

^{*}Maximum AFDC grant (\$3,756) is adjusted here for rent as paid to public housing, according to current State practice.

^{**}Independently of family assistance, New York City will institute a food stamp program in the fall of 1970, therefore the food stamp bonus under current schedule is reflected here rather than commodity value.

^{***}Only 8 percent of all AFDC recipients in New York City live in public housing, and only 6 percent of family assistance families nationwide will live in public housing.

^{****}Medical vendor payments do not represent cash income available to families, and should not be counted as part of total family income. Such payments are made on behalf of families with medical needs only.

See footnotes on p. 1223.

FOOTNOTES FOR TABLES 5-8

1. Family Assistance benefits are \$1600 for a family of four with no other income, based on \$500 each for the first two persons, \$300 each for succeeding persons. Family Assistance benefits are reduced 50% for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

2. Based on current State payment levels and practices for a female-headed AFDC family of four, with House-passed provisions of Sec. 452, and no deduction for Federal income taxes:

Arizona—\$2208 maximum for a family with no other income (69% of need standard of \$3192).

Delaware—\$1788 maximum for a family with no other income (need standard of \$2832). Payment is deficit or legislative maximum, whichever is less.

Illinois—\$3156 (100% of general maximum need standard) for a family with no other income. The payment is adjusted to include rent as paid to a public housing authority in Chicago (\$70 a month) for a typical unit.

New York—\$3756 (100% of general maximum need standard) for a family with no other income. The payment is adjusted to include rent as paid to a public housing authority in New York City (\$90 a month) for a typical unit.

3. Federal income tax calculated on the basis of the tax provisions in effect in 1972, assuming no surcharge.

4. Current State schedule.

5. Social security tax of 5.2 percent of income up to \$9,000 which will be in effect January 1, 1971.

6. Arizona, Delaware and New York City have surplus commodity programs. Independently of Family Assistance, New York City will institute a food stamp program in the fall of 1970. Therefore, the current schedule food stamp bonus is shown here rather than the commodity value.

Food stamp bonus is the difference between the value of the coupon allotment and the purchase price of the coupons; based on current food stamp schedules, with mandatory payroll deductions subtracted from gross income in determining purchase price and eligibility.

7. *Phoenix, Arizona*—Public housing bonus is the HUD estimate of comparable relocation rental (\$1500 yearly) minus amount of public housing rent paid. Calculated for 2-bedroom unit. Precise figures unavailable for proportion of AFDC recipients in Phoenix living in public housing.

Wilmington, Delaware—Public Housing bonus is the HUD estimate of comparable relocation rental (\$1020 yearly) minus amount of public housing rent paid. Calculated for 2-bedroom unit. Only 29 percent of AFDC recipients in Wilmington live in public housing.

Chicago, Illinois—Public housing bonus is the HUD estimate of comparable relocation rental (\$1920 yearly) minus general maximum rent allotment of public assistance (\$90 monthly). Calculated for 2-bedroom unit. Approximately 18 percent of all AFDC recipients in Chicago live in public housing.

New York, New York—Public housing bonus is the HUD estimate of comparable relocation rental (\$1680 yearly) minus general maximum rent allotment of public assistance (\$105 monthly). Calculated for 2-bedroom unit. Approximately 8 percent of all AFDC recipients in New York City live in public housing.

8. Medicaid benefit shown is the total (Federal and State) average payment made on behalf of all AFDC families in State. Individual families may receive higher or lower value depending upon medical needs. State eligibility standards apply.

9. Bonus rises as families move from welfare to non-welfare rent schedules.

10. Above continued occupancy limits, but family may be allowed to stay until other housing is located.

TABLE 9.—FAMILY ASSISTANCE—ADMINISTRATION'S JUNE REVISIONS
 [Benefits potentially available to a 4-person, female-headed family in Phoenix, Ariz.]

Earnings	Benefits potentially available to the majority of AFDC recipients								Benefits potentially available to the minority of AFDC recipients			Total
	Family ¹ assistance	State ² supplement*	Total gross cash income	Total Federal, State and social security taxes ³⁻⁵	Cash income less taxes	Net cash income less FHIP contributions	Proposed schedule food stamp bonus ⁶	Total net cash and food	Public housing bonus under proposed 1970** housing act ⁷	Total net cash, food and public housing	Family health insurance subsidy ⁸	
\$0.....	\$1,600	\$608	\$2,208		\$2,208	\$2,178	\$646	\$2,824	\$1,118	\$3,942	\$470	\$4,412
\$720.....	1,600	608	2,928	\$37	2,891	2,825	417	3,242	974	4,216	434	4,650
\$1,000.....	1,460	613	3,073	52	3,021	2,944	371	3,315	945	4,260	423	4,683
\$2,000.....	960	653	3,613	104	3,509	3,378	199	3,577	837	4,414	369	4,783
\$3,000.....	460	694	4,154	156	3,998	3,813	27	3,840	711	4,551	315	4,866
\$4,000.....		707	4,707	246	4,461	4,189		4,189	573	4,762	228	4,990
\$5,000.....		313	5,313	457	4,856	***4,433		4,433	422	4,855	77	4,932
\$6,000.....			6,000	689	5,311	***5,311		5,311	250	5,561		5,561
\$7,000.....			7,000	944	6,056	***6,056		6,056		6,056		6,056
\$8,000.....			8,000	1,181	6,819	***6,819		6,819		6,819		6,819

*State supplement assumes "grandfathered" recipient, hence the irregular pattern of State payment. For new recipients, State benefits would steadily decline.

**The majority of AFDC recipients in Phoenix do not live in public housing, and only approximately 6 percent of FAP families nationwide will live in public housing.

***Participation in the health plan has been assumed at all levels of eligibility, although coverage at higher income levels is optional, and it is likely that many families at the higher contribution levels will opt for lower private coverage. No deduction for private health insurance has been made for families not receiving family health insurance plan subsidy, although such families would typically purchase private coverage.

See footnotes on p. 1228.

TABLE 10.—FAMILY ASSISTANCE—ADMINISTRATION'S JUNE REVISIONS

[Benefits potentially available to a 4-person, female-headed family in Wilmington, Del.]

Earnings	Benefits potentially available to 71 percent of current AFDC recipients								Benefits potentially available to 29 percent of current AFDC recipients			Total
	Family ¹ assistance	State ² supplement*	Total gross cash income	Total Federal, State and social security taxes ³⁻⁵	Cash income less taxes	Net cash income less FHIP contribution	Proposed schedule food stamp bonus ⁶	Total net cash and food	Public housing bonus under proposed 1970** Housing Act ⁷	Total net cash, food and public housing	Family health insurance subsidy ⁸	
\$0.....	\$1,600	\$188	\$1,788		\$1,788	\$1,779	\$780	\$2,559	\$722	\$3,281	\$491	\$3,772
\$720.....	1,600	188	2,508	\$37	2,471	2,426	551	2,977	578	3,555	455	4,010
\$1,000.....	1,460	328	2,788	52	2,736	2,677	462	3,139	522	3,661	441	4,102
\$2,000.....	960	828	3,788	104	3,684	3,535	144	3,679	322	4,001	351	4,352
\$3,000.....	460	852	4,312	156	4,156	3,955		3,955	192	4,147	299	4,446
\$4,000.....		664	4,664	249	4,415	***4,154		4,154	104	4,258	239	4,497
\$5,000.....		93	5,093	460	4,633	***4,265		4,265		4,265	132	4,397
\$6,000.....			6,000	699	5,301	5,301		5,301		5,301		5,301

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*State supplement assumes "grandfathered" recipient, hence the irregular pattern of State payment. For new recipients, State benefits would steadily decline.

**Only 29 percent of all AFDC recipients in Wilmington live in public housing, and only 6 percent of FAP recipients nationwide will live in public housing.

***Participation in the health plan has been assumed at all levels of eligibility, although coverage at higher income levels is optional and it is likely that many families at the higher contribution levels will opt for lower private coverage. No deduction for private health insurance has been made for families not receiving family health insurance plan subsidy, although such families would typically purchase private coverage.

See footnotes on p. 1228.

TABLE 11.—FAMILY ASSISTANCE—ADMINISTRATION'S JUNE REVISIONS

[Benefits potentially available to a 4-person, female-headed family in Chicago, Ill.]

Earnings	Benefits potentially available to 82 percent of current AFDC recipients								Benefits potentially available to 18 percent of current AFDC recipients			Total
	Family ¹ assistance	State ² supplement ^a	Total gross cash income	Total Federal, State and social security taxes ³	Cash income less taxes	Net cash income less FHIP contribution	Proposed schedule food stamp bonus ⁴	Total net cash and food	Public housing bonus under proposed 1970 ⁵ Housing Act ⁷	Total net cash, food and public housing	Family health insurance subsidy ⁶	
\$0.....	\$1,600	\$1,556	\$3,156		\$3,156	\$3,070	\$345	\$3,415	\$1,349	\$4,764	\$414	\$5,178
\$720.....	1,600	1,556	3,876	\$37	3,839	3,681	116	3,797	1,201	4,998	342	5,340
\$1,000.....	1,460	1,509	3,969	52	3,917	3,750	86	3,836	1,178	5,014	333	5,347
\$2,000.....	960	1,342	4,302	104	4,198	3,998		3,998	1,095	5,093	300	5,393
\$3,000.....	460	1,175	4,635	156	4,479	4,225		4,225	1,011	5,236	246	5,482
\$4,000.....		987	4,987	236	4,751	4,409		4,409	923	5,332	158	5,490
\$5,000.....		416	5,416	443	4,973	***4,524		4,524	816	5,340	51	5,391
\$6,000.....			6,000	669	5,331	***5,331		5,331	670	6,001		6,001
\$7,000.....			7,000	912	6,088	***6,088		6,088	420	6,508		6,508
\$8,000.....			8,000	1,134	6,866	***6,866		6,866	170	7,036		7,036
\$9,000.....			9,000	1,369	7,631	***7,631		7,631		7,631		7,631

¹FAP does not raise AFDC grant level. Grant is higher than under current law only because current law adjusts the same standard (\$3,156) for rent as paid to public housing.

²Only 18 percent of all AFDC recipients in Chicago live in public housing, and only 6 percent of FAP families nationwide will live in public housing.

³Participation in the health plan has been assumed at all levels of eligibility, although coverage at higher income levels is optional, and it is likely

that many families at the higher contribution levels will opt for lower private coverage. No deduction for private health insurance has been made for families not receiving family health insurance plan subsidy, although such families would typically purchase private coverage.

See footnotes on p. 1228.

TABLE 12.—FAMILY ASSISTANCE—ADMINISTRATION'S JUNE REVISIONS
 [Benefits potentially available to a 4-person female-headed family in New York City, N.Y.]

Earnings	Benefits potentially available to 92 percent of current AFDC recipients								Benefits potentially available to 8 percent of current AFDC recipients			Total
	Family assistance ¹	State supplement ^{2*}	Total gross cash income	Total Federal, State and social security taxes ³⁻⁴	Cash income less taxes	Net cash income less FHIP contribution	Proposed schedule food stamp bonus ⁵	Total net cash and food	Public housing bonus under proposed 1970 Housing Act ^{7**}	Total net cash, food and public housing	Family health insurance subsidy ⁶	
\$0.....	\$1,600	\$2,156	\$3,756	.....	\$3,756	\$3,610	\$154	\$3,764	\$989	\$4,753	\$354	\$5,107
\$720.....	1,600	2,156	4,476	\$37	4,439	4,221	.....	4,221	811	5,032	282	5,314
\$1,000.....	1,460	2,109	4,569	52	4,517	4,280	.....	4,280	788	5,068	263	5,331
\$2,000.....	960	1,942	4,902	104	4,798	4,478	.....	4,478	705	5,183	180	5,363
\$3,000.....	460	1,775	5,235	156	5,079	4,675	.....	4,675	621	5,296	96	5,392
\$4,000.....	.....	1,587	5,587	237	5,350	4,858	.....	4,858	533	5,391	8	5,399
\$5,000.....	.....	1,016	6,016	460	5,556	***5,556	.....	5,556	426	5,982	.....	5,982
\$6,000.....	.....	459	6,459	703	5,756	***5,756	.....	5,756	315	6,071	.....	6,071
\$7,000.....	.....	.....	7,000	971	6,029	**6,029	.....	6,029	180	6,209	.....	6,209
\$8,000.....	.....	.....	8,000	1,219	6,781	***6,781	.....	6,781	.....	6,781	.....	6,781
\$9,000.....	.....	.....	9,000	1,486	7,514	***7,514	.....	7,514	.....	7,514	.....	7,514

*FAP does not raise AFDC grant level. Grant is higher than under current law only because current law adjusts same standard (\$3,756) for rent as paid to public housing.
 **Only 8 percent of all AFDC recipients in New York City live in public housing, and only 6 percent of FAP families nationwide will live in public housing.
 ***Participation in the health plan has been assumed at all levels of eligibility, although coverage at higher income levels is optional and it is likely

that many families at the higher contribution levels will opt for lower private coverage. No deduction for private health insurance has been made for families not receiving family health insurance subsidy, although such families would typically purchase private coverage.

See footnotes on p 1228.

FOOTNOTES FOR PROPOSED BENEFIT TABLES 9-12

1. Family Assistance benefits are \$1600 for a family of four with no other income, based on \$500 each for the first two persons, \$300 each for succeeding persons. Family Assistance benefits are reduced 50% for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

2. State supplementary payments are based on current payment levels with a 67% reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes. House passed provisions of calculating State payments apply (Sec. 452) in Phoenix and Wilmington, where "grandfathered" recipients are assumed. State supplementary grants in New York and Chicago are based on States' reported general maximum grants.

3. Federal income taxes computed on the schedule effective in 1972, assuming no surcharge.

4. State taxes are computed on current State schedules.

5. Social Security taxes reflect the increase from 4.8 to 5.2% of earnings up to \$9000 which will be effective January 1971.

6. Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the first year of operation of Family Assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1272) and the purchase (31.8% of gross income less \$240).

7. The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That Act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of two. On the first \$3,500, families must pay 20% of net income for rent; on the amount over \$3,500, 25%. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the four cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for four person families. The private annual gross rents assumed are as follows:

	<i>2 bedroom</i>
Phoenix -----	\$1,500
Wilmington -----	1,020
Chicago -----	1,920
New York City -----	1,680

8. The assumption here is that the Family Health Insurance Program would replace the present Medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following *illustrative* contribution schedule is assumed: 0% of gross income to \$1,600, 5% of that amount of gross income between \$1,600 and \$3,000, 10% from \$3,000 to \$4,500, and 25% of gross income from \$4,500 to \$5,620.

Full participation is assumed. Contributions are deducted from net family income in column as marked.

TABLE 13.—AMENDED H.R. 16311 AND HOUSING; CURRENT LAW, FOOD, AND MEDICAID (REQUESTED BY SENATOR JOHN WILLIAMS)

[Benefits potentially available to a 4-person female-headed family in Phoenix, Ariz.]

Earnings	Benefits potentially available to the majority of current AFDC recipients						Benefits potentially available to a minority of current AFDC recipients		Total	
	Family assistance ¹	State supplements ^{2*}	Total gross cash income	Total Federal, State and social security taxes ³⁻⁵	Net cash income	Current schedule food stamp bonus ⁶	Total net cash and food	Public housing bonus under proposed 1970 housing Act ^{7**}		Total net cash, food and public housing
\$0.....	\$1,600	\$608	\$2,208	.....	\$2,208	\$690	\$2,898	\$1,118	\$4,016	\$4,016
\$720.....	1,600	608	2,928	.....	\$37	2,891	480	3,371	974	4,345
\$1,000.....	1,460	613	3,073	.....	52	3,021	408	3,429	945	4,374
\$2,000.....	960	653	3,613	.....	104	3,509	360	3,869	837	4,706
\$3,000.....	460	694	4,154	.....	156	3,998	312	4,310	711	5,021
\$4,000.....	.....	707	4,707	.....	246	4,461	288	4,749	573	5,322
\$5,000.....	.....	313	5,313	.....	457	4,856	288	5,144	422	5,566
\$6,000.....	6,000	689	5,311	5,311	250	5,561
\$7,000.....	7,000	944	6,056	6,056	6,056
\$8,000.....	8,000	1,181	6,819	6,819	6,819

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*State supplement assumes a "grandfathered" recipient, hence irregular pattern of State payment. For new recipients, State benefits would steadily decline.

**The majority of AFDC recipients in Phoenix do not live in public housing, and only approximately 6 percent of family assistance families nationwide will live in public housing. See footnotes on p. 1233.

TABLE 14.—AMENDED H.R. 16311 AND HOUSING, CURRENT LAW, AND MEDICAID (REQUESTED BY SENATOR JOHN WILLIAMS)

[Benefits potentially available to a 4-person female-headed family in Wilmington, Del.]

Earnings	Benefits potentially available to 71 percent of current AFDC recipients							Benefits potentially available to 29 percent of current AFDC recipients			Total
	Family assistance ¹	State supplement ^{2*}	Total gross cash income	Total Federal, State, and social security taxes ³⁻⁵	Net cash income	Current schedule food stamp bonus ⁶	Total net cash and food	Public housing bonus under proposed 1970 Housing Act ^{7**}	Total net cash, food, and public housing	Average vendor payments to health service for AFDC families ^{8***}	
\$0.....	\$1,600	\$188	\$1,788		\$1,788	\$828	\$2,616	\$722	\$3,338	\$437	\$3,775
\$720.....	1,600	188	2,508	\$37	2,471	624	3,095	578	3,673	437	4,110
\$1,000.....	1,460	328	2,788	52	2,736	552	3,288	522	3,810	437	4,247
\$2,000.....	960	828	3,788	104	3,684	360	4,044	322	4,366	437	4,803
\$3,000.....	460	852	4,312	156	4,156	312	4,468	192	4,660	437	5,097
\$4,000.....		664	4,664	249	4,415	288	4,703	104	4,807	437	5,244
\$5,000.....		93	5,093	460	4,633	288	4,921		4,921	437	5,358
\$6,000.....			6,000	699	5,301		5,301		5,301		5,301

*State supplement assumes a "Grandfathered" recipient, hence irregular pattern of State payment. For new recipients, State benefits would steadily decline.

**Only 29 percent of all AFDC recipients in Wilmington live in public housing, and only 6 percent of family assistance families nationwide will live in public housing.

***Medical vendor payments do not represent cash income available to families, and should not be counted as part of total family income. Such payments are made on behalf of families with medical needs only.

See footnotes on p. 1233.

TABLE 15.—AMENDED H.R. 16311 AND HOUSING; CURRENT LAW, FOOD, AND MEDICAID (REQUESTED BY SENATOR JOHN WILLIAMS)

[Benefits potentially available to a 4-person female-headed family in Chicago, Ill.]

Earnings	Benefits potentially available to 82 percent of current AFDC recipients							Benefits potentially available to 18 percent of current AFDC recipients		Average vendor payments to health service for AFDC families ^{***}	Total
	Family assistance [†]	State supplement ^{**}	Total gross cash income	Total Federal, State and social security taxes ²⁻³	Net cash income	Current schedule food stamp bonus ⁴	Total net cash and food	Public housing bonus under proposed 1970 Housing Act ^{**}	Total net cash, food, and public housing		
\$0.....	\$1,600	\$1,556	\$3,156		\$3,156	\$408	\$3,564	\$1,349	\$4,913	\$790	\$5,703
\$720.....	1,600	1,556	3,876	\$37	3,839	312	4,151	1,201	5,352	790	6,142
\$1,000.....	1,460	1,509	3,969	52	3,917	312	4,229	1,178	5,407	790	6,197
\$2,000.....	960	1,342	4,302	104	4,198	312	4,510	1,095	5,605	790	6,395
\$3,000.....	460	1,175	4,635	156	4,479	288	4,767	1,011	5,778	790	6,568
\$4,000.....		987	4,987	236	4,751	288	5,039	923	5,962	790	6,752
\$5,000.....		416	5,416	443	4,973	288	5,261	816	6,077	790	6,867
\$6,000.....			6,000	669	5,331		5,331	670	6,001		6,001
\$7,000.....			7,000	912	6,088		6,088	420	6,508		6,508
\$8,000.....			8,000	1,134	6,866		6,866	170	7,036		7,036
\$9,000.....			9,000	1,369	7,361		7,631		7,631		7,631

[†]Family assistance does not raise AFDC grant level. Grant for family in public housing at zero earnings is higher than under current law only because current law adjusts the same standard (\$3,156) for rent as paid to public housing.

^{**}Only 18 percent of all AFDC recipients in Chicago live in public housing, and only 6 percent of family assistance families nationwide will live in public housing.

^{***}Medical vendor payments do not represent cash income available to families and should not be counted as part of total family income. Such payments are made on behalf of families with medical needs only.

See footnotes on p. 1233.

TABLE 16.—AMENDED H.R. 16311 AND HOUSING; CURRENT LAW, FOOD, AND MEDICAID (REQUESTED BY SENATOR JOHN WILLIAMS)
 [Benefits potentially available to a 4-person female-headed family in New York, N.Y.]

Earnings	Benefits potentially available to 92 percent of current AFDC recipients							Benefits potentially available to 8 percent of current AFDC recipients		Average vendor payments to health service for AFDC families ^{***}	Total
	Family assistance ¹	State supplement ^{2*}	Total gross cash income	Total Federal, State, and social security taxes ³⁻³	Net cash income	Current schedule food stamp bonus ⁴	Total net cash and food	Public housing bonus under proposed 1970 Housing Act ^{5**}	Total net cash, food and public housing		
\$0.....	\$1,600	\$2,156	\$3,756		\$3,756	\$312	\$4,068	\$989	\$5,057	\$1,153	\$6,210
\$720.....	1,600	2,156	4,476	\$37	4,439	288	4,727	811	5,538	1,153	6,691
\$1,000.....	1,460	2,109	4,569	52	4,517	288	4,805	788	5,593	1,153	6,746
\$2,000.....	960	1,942	4,902	104	4,798	288	5,086	705	5,791	1,153	6,944
\$3,000.....	460	1,775	5,235	156	5,079	288	5,367	621	5,988	1,153	7,141
\$4,000.....		1,587	5,587	237	5,350	288	5,638	533	6,171	1,153	7,324
\$5,000.....		1,016	6,016	460	5,556	288	5,844	426	6,270	1,153	7,423
\$6,000.....		459	6,459	703	5,756	288	6,044	315	6,359	1,153	7,512
\$7,000.....			7,000	971	6,029		6,029	180	6,209		6,209
\$8,000.....			8,000	1,219	6,781		6,781		6,781		6,781
\$9,000.....			9,000	1,486	7,514		7,514		7,514		7,514

¹Family assistance does not raise AFDC grant level. Grant for family in public housing at zero earnings is higher than under current law only because current law adjusts the same standard (\$3,756) for rent as paid to public housing.

²Only 8 percent of all AFDC recipients in New York City live in public housing, and only 6 percent of all family assistance families nationwide will live in public housing.

³Medical vendor payments do not represent cash income available to families, and should not be counted as part of total family income. Such payments are made or behalf of families with medical needs only.

See footnotes on p. 1233.

FOOTNOTES FOR TABLES 13-16

1. Family Assistance benefits are \$1600 for a family of four with no other income, based on \$500 each for the first two persons, \$300 each for succeeding persons. Family Assistance benefits are reduced 50% for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

2. State supplementary payments are based on current payment levels with a 67% reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes. House passed provisions of calculating State payments apply (Sec. 452). State supplementary grants in New York and Chicago are based on State's reported general maximum rent allotment.

3. Federal income taxes computed on the schedule effective in 1972, assuming no surcharge.⁴ State taxes are computed on current State schedules.⁵ Social Security taxes reflect the increase from 4.8 to 5.2% of earnings up to \$9000 which will be effective January 1971.

6. Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the first year of operation of Family Assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment and the purchase price, using the current food stamp schedule.

7. The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That Act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of two. On the first \$3,500, families must pay 20% of net income for rent; on the amount over \$3,500, 25%. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the four cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for four person families. The private annual gross rents assumed are as follows:

	2 bedroom
Phoenix	\$1,500
Wilmington	1,020
Chicago	1,920
New York City.....	1,680

8. Medicaid benefit shown is the total (Federal and State) average vendor payments on behalf of AFDC families in State. Individual families may receive higher or lower value depending on medical needs. State eligibility standards apply.

Explanation of Tables 17-28

These tables were prepared to permit comparison between the House-passed Family Assistance bill and related programs, current law Aid to Families with Dependent Children-Unemployed Father (AFDC-UF), and the administration's June 11 Amendments to H.R. 16311. The example used is a male-headed family of four, assuming the family applied for and received all the income, food, housing, and medical benefits for which it was eligible. The vast majority of families, of course, do not receive all these benefits. It is estimated, for example, that approximately 10% of all AFDC families nationwide live in public housing, and not all eligible families elect to participate in food programs. Further, there are several ways of measuring the value of public housing. We have used in these tables the difference between rent paid for public housing and the rent for comparable private housing. This difference is considerably higher than the actual Federal subsidy per unit. Therefore, benefits should be regarded as illustrative of the *maximum* benefits potentially available to these families.

TABLE 17.—CURRENT LAW

[Benefits potentially available to 4-person male-headed families in Phoenix, Ariz.]

Earnings	Benefits potentially available to less than the majority of current AFDC recipients					Benefits potentially available to the minority of current AFDC recipients			Total
	AFDC-UF † ‡	Total gross cash income	Total Federal, State, and social security taxes †	Net cash income	Current surplus commodities value †	Total net cash and food	Current public housing bonus †	Total net cash, food, and public housing	
\$0					\$441	\$441		\$441	\$441
\$720		\$720	\$35	\$685	441	1,126	\$1,388	2,514	2,514
\$1,000		1,000	48	952	441	1,393	1,325	2,718	2,718
\$2,000		2,000	96	1,904	441	2,345	1,100	3,445	3,445
\$3,000		3,000	144	2,856	441	3,297	936	4,233	4,233
\$4,000		4,000	340	3,660		3,660	696	4,356	4,356
\$5,000		5,000	553	4,447		4,447	540	4,987	4,987
\$6,000		6,000	808	5,192		5,192	340	5,532	5,532
\$7,000		7,000	1,059	5,942		5,942	140	6,082	6,082
\$8,000		8,000	1,304	6,696		6,696		6,696	6,696

†No AFDC-UF program.

‡Note: No medicaid or medically needy program.

See footnotes on p. 1238.

TABLE 18.—CURRENT LAW

[Benefits potentially available to 4-person, male-headed families in Wilmington, Del.]

Earnings	Benefits potentially available to 71 percent of current AFDC recipients					Benefits potentially available to 29 percent of current AFDC recipients		Average vendor payments to health services for AFDC families**	Total	
	AFDC-UF ¹ *	Total gross cash income	Total Federal, State, and social security taxes ²	Net cash income	Current surplus commodities value ³	Total net cash and food	Current public housing bonus ⁴			Total net cash, food, and public housing
\$0.....	\$2,244	\$2,244		\$2,244	\$661	\$2,905	\$565	\$3,470	\$437	\$3,907
\$720.....	2,244	2,964	\$35	2,929	661	3,590	403	3,993	437	4,430
\$1,000...	2,244	3,244	48	3,196	661	3,857	340	4,197	437	4,634
\$2,000...	2,244	4,244	96	4,148	661	4,809	115	4,924	437	5,361
\$3,000...	(*)	3,000	144	2,856		2,856	442	3,298		3,298
\$4,000...	(*)	4,000	349	3,651		3,651	235	3,886		3,886
\$5,000...	(*)	5,000	562	4,438		4,438	28	4,466		4,466
\$6,000...	(*)	6,000	821	5,179		5,179		5,179		5,179

1235

*Assumes work at \$1.60 per hour. No longer eligible for UF—Works full time.

**Medical vendor payments do not represent cash income available to

families and should not be counted as part of total family income. Such payments are made only on behalf of eligible families with medical needs.

See footnotes on p. 1238.

TABLE 19.—CURRENT LAW

[Benefits potentially available to 4-person male-headed families in Chicago, Ill.]

Earnings	Benefits potentially available to 71 percent of current AFDC recipients					Benefits potentially available to 29 percent of current AFDC recipients		Average ³ payments to health services for AFDC families***	Total	
	AFDC-UF ¹	Total gross cash income	Total Federal, State, and social security taxes ²	Net cash income	Current schedule food stamp bonus ³	Total net cash and food	Current public housing bonus ⁴			Total net cash, food, and public housing
\$0.....	*\$3,168	\$3,168		\$3,168	\$408	\$3,576	\$840	\$4,416	\$790	\$5,206
\$720.....	3,168	3,888	\$35	3,853	312	4,165	840	5,005	790	5,795
\$1,000...	3,168	4,168	48	4,120	312	4,432	840	5,272	790	6,062
\$2,000...	2,783	4,783	96	4,687	288	4,975	840	5,815	790	6,605
\$3,000...	(**)	3,000	144	2,856	480	3,336	⁶ 1,295	4,631		4,631
\$4,000...	(**)	4,000	332	3,668		3,668	1,080	4,748		4,748
\$5,000...	(**)	5,000	541	4,459		4,459	1,080	5,539		5,539
\$6,000...	(**)	6,000	791	5,209		5,209	1,080	6,289		6,289
\$7,000...	(**)	7,000	1,031	5,969		5,969	(⁷)	5,969		5,969
\$8,000...	(**)	8,000	1,265	7,635		6,735	(⁷)	6,735		6,735
\$9,000...	(**)	9,000	1,464	7,536		7,536	(⁷)	7,536		7,536

1236

¹The AFDC-UF maximum payment level (\$3,348) is adjusted here to \$3,168 because public housing rent is less than the maximum AFDC rent allowance.

²No longer eligible for UF—works full time. Assumes work at \$1.60 per hour.

³Medical vendor payments do not represent cash income available to families and should not be counted as part of total family income. Such payments are made on behalf of eligible families with medical needs only.

See footnotes on p. 1238.

TABLE 20.—CURRENT LAW

[Benefits potentially available to 4-person male-headed families in New York, N.Y.]

Earnings	Benefits potentially available to 92 percent of current AFDC recipients					Benefits potentially available to 29 percent of current AFDC recipients		Average 1 year payments to health services for AFDC families***	Total	
	AFDC-UF 1	Total gross cash income	Total Federal, State, and social security taxes 2	Net cash income	Current schedule food stamp bonus 3	Total net cash and food	Current public housing bonus 4			Total net cash, food, and public housing
\$0*.....	*\$3,576	\$3,576		\$3,576	\$360	\$3,936	\$420	\$4,356	\$1,153	\$5,509
\$720**...	3,576	4,296	\$35	4,261	312	4,573	420	4,993	1,153	6,146
\$1,000...	3,382	4,382	48	4,334	288	4,622	420	5,042	1,153	6,195
\$2,000...	2,715	4,715	96	4,619	288	4,907	420	4,327	1,153	5,480
\$3,000...	(**)	3,000	144	2,856	480	3,336	6 1,071	4,407	(****)	4,407
\$4,000...	(**)	4,000	333	3,667	360	4,027	900	4,927	(****)	4,927
\$5,000...	(**)	5,000	558	4,442		4,442	828	5,270	(****)	5,270
\$6,000...	(**)	6,000	825	5,175		5,175	720	5,895	(****)	5,895
\$7,000...	(**)	7,000	1,090	5,910		5,910	720	6,630	(****)	6,630
\$8,000...	(**)	8,000	1,350	6,650		6,650	720	7,370	(****)	7,370
\$9,000...	(**)	9,000	1,581	7,419		7,419	(?)	7,419	(****)	7,419

1237

*The AFDC-UF maximum payment level (\$3,756) is adjusted here to \$3,576 because public housing rent is less than the maximum AFDC rent allowance.

**Assumes work at \$1.60 per hour. No longer eligible for UF—works full time.

***Medical under payments do not represent cash income available to families and should not be counted as part of total family income. Such payments are made on behalf of eligible families with medical needs only.

****State provides care to children under 21 (not parents) in families with income less than \$5,000.

See footnotes on p. 1238.

FOOTNOTES FOR CURRENT BENEFIT TABLES 17-20: MALE-HEADED FAMILIES

1. State AFDC-UF is based on the following maximum payments: New York City—\$3,758 (adjusted for rent as paid to public housing); Chicago—\$3,348 (adjusted for rent as paid to public housing); Delaware—\$2,244; Arizona—N.A. Work-related expenses were based on estimated State averages of \$708 in Chicago, \$900 in New York; and general standard practice of \$660 in Wilmington.

2. Federal tax based on current schedule, including surcharge. State tax based on current schedules. Social Security tax based on 4.8% of earnings up to \$7,800.

3. Food bonus based on value of surplus commodities (Phoenix and Wilmington) or food stamp bonus (Chicago and New York) based on local eligibility schedules. Independently of Family Assistance, New York will institute a food stamp program in the fall of 1970. Therefore, the current schedule food stamp bonus is included here rather than the commodity value. Food stamp bonus is the difference between the value of the coupon allotment (\$1,272 per annum) and the purchase price of the coupons; based on current food stamp schedules, with mandatory payroll deductions subtracted from gross income in determining purchase price and eligibility.

4. Public housing bonus for New York and Chicago was calculated on the basis of the value of private market rentals less the maximum rent allotment for AFDC recipients (\$90 in Chicago and \$105 in New York).

In Phoenix and Wilmington flat AFDC grants are generally given, with no variation for rent. Hence, bonus equals the difference between rent paid and equivalent private market rents as calculated by HUD. Rents in Phoenix and Wilmington assume operation of the Brooke Amendment. Even where a welfare rent schedule is present, it was assumed that the Brooke Amendment would govern. Net income was computed for families in each city based on exemptions and deductions applied by each local authority's adopted policy, as revealed in HUD central files for public housing. The private annual gross rents assumed are as follows:

	1 bedroom
Phoenix -----	\$1, 500
Wilmington -----	1, 020
Chicago -----	1, 920
New York City -----	1, 680

5. Medicaid benefit shown is the total (Federal and State) average payment on behalf of all AFDC families in State. Individual families may receive higher or lower value depending upon medical needs. State eligibility standards apply.

6. Bonus rises as families move from welfare to non-welfare rent schedules.

7. Above continued occupancy, but families may be allowed to stay until other housing is located.

TABLE 21. FAMILY ASSISTANCE—ADMINISTRATION'S JUNE REVISIONS

[Benefits potentially available to a 4-person male-headed family in Phoenix, Ariz.]

Benefits potentially available to 94 percent of FAP families nationwide										Benefits potentially available to only 6 percent of FAP families nationwide	
Earnings	Family assistance ¹	Total gross cash income	Total Federal, State, and social security taxes ²	Cash income less taxes	Net cash income less FHIP contribution	Proposed food stamp bonus ³	Net cash and food	Public housing bonus under proposed 1970 Housing Act ⁴	Total net cash, food, and public housing	Family medical insurance subsidy ⁵	Total
\$0	\$1,600	\$1,600		\$1,600	\$1,600	\$840	\$2,440	\$1,180	\$3,620	\$500	\$4,120
\$720	1,600	2,320	\$37	2,283	2,247	611	2,858	1,036	3,894	464	4,358
\$1,000	1,460	2,460	52	2,408	2,365	566	2,931	1,008	3,939	457	4,396
\$2,000	960	2,960	104	2,856	2,788	407	3,195	908	4,103	432	4,535
\$3,000	460	3,460	156	3,304	3,188	248	3,436	808	4,244	384	4,628
\$4,000		4,000	246	3,754	*3,584	76	3,660	675	4,335	330	4,665
\$5,000		5,000	455	4,545	*4,200		4,200	425	4,625	155	4,780
\$6,000		6,000	675	5,325	**5,325		5,325	175	5,500		5,500
\$7,000		7,000	912	6,088	**6,088		6,088		6,088		6,088
\$8,000		8,000	1,140	6,860	**6,860		6,860		6,860		6,860

1239

¹Participation in the health plan has been assumed at these levels, although coverage here is optional and it is likely that families at the higher contribution levels will opt for lower private coverage.

²No deductions from gross income for private health insurance have been made for families not receiving family health insurance plan subsidy, although such families would typically purchase private coverage.

See footnotes on p. 1243.

TABLE 22.—FAMILY ASSISTANCE—ADMINISTRATION'S JUNE REVISIONS
 [Benefits potentially available to a 4-person male-headed family* in Wilmington, Del.]

Earnings	Benefits potentially available to 94 percent of FAP families nationwide							Benefits potentially available to only 8 percent of FAP families nationwide			Total
	Family assistance ¹	Total gross cash income	Total Federal, State, and social security taxes ²	Cash income less taxes	Net cash income less FHIP contribution	Proposed schedule food stamp bonus ³	Net cash and food	Public housing bonus under proposed 1970 housing act ⁴	Total net cash, food, and public housing	Family medical insurance subsidy ⁵	
\$0	\$1,600	\$1,600		\$1,600	\$1,600	\$840	\$2,440	\$700	\$3,140	\$500	\$3,640
\$720	1,600	2,320	\$37	2,283	2,247	611	2,858	556	3,414	464	3,878
\$1,000	1,460	2,460	52	2,408	2,365	566	2,931	528	3,459	457	3,916
\$2,000	960	2,960	104	2,856	2,788	407	3,195	428	3,623	432	4,055
\$3,000	460	3,460	156	3,304	3,188	248	3,436	328	3,764	384	4,148
\$4,000		4,000	245	3,755	**3,585	76	3,661	195	3,856	330	4,186
\$5,000		5,000	454	4,546	**4,201		4,201		4,201	155	4,356
\$6,000		6,000	677	5,323	***5,323		5,323		5,323		5,323

1240

*Assumes male-headed family not currently receiving AFDC-UF. A family currently receiving AFDC-UF would be "grandfathered" to protect from loss.
 **Participation in the health plan has been assumed at these levels, although coverage here is optional and it is likely that families at the higher contribution levels will opt for lower private coverage.

***No deductions from net income for private health insurance have been made for families not receiving family health insurance plan subsidies, although such families would typically purchase private coverage.

See footnotes on p.1243.

TABLE 23.—FAMILY ASSISTANCE—ADMINISTRATION'S JUNE REVISIONS

[Benefits potentially available to a 4-person, male-headed family* in Chicago, Ill.]

Earnings	Benefits potentially available to 94 percent of FAP families nationwide										Total
	Family assistance ¹	Total gross cash income	Total Federal, State, and social security taxes ²	Cash income less taxes	Net cash income less FHIP contribution	Proposed food stamp bonus ³	Net cash and food	Public housing bonus under proposed 1970 Housing Act ⁴	Total net cash, food, and public housing	Family medical insurance subsidy ⁵	
\$0.....	\$1,600	\$1,600		\$1,600	\$1,600	\$840	\$2,440	\$1,600	\$4,040	\$500	\$4,540
\$720.....	1,600	2,320	\$37	2,283	2,247	611	2,858	1,456	4,314	564	4,878
\$1,000.....	1,460	2,460	52	2,408	2,365	566	2,931	1,428	4,359	457	4,816
\$2,000.....	960	2,960	104	2,856	2,788	407	3,195	1,328	4,523	432	4,955
\$3,000.....	460	3,460	156	3,304	3,188	248	3,436	1,228	4,664	384	5,048
\$4,000.....		4,000	236	3,764	**3,594	76	3,670	1,095	4,765	330	5,095
\$5,000.....		5,000	441	4,559	**4,214		4,214	845	5,059	155	5,214
\$6,000.....		6,000	655	5,345	***5,345		5,345	595	5,940		5,940
\$7,000.....		7,000	880	6,120	***6,120		6,120	345	6,465		6,465
\$8,000.....		8,000	1,093	6,907	***6,907		6,907	95	7,002		7,002
\$9,000.....		9,000	1,320	7,680	***7,680		7,680		7,680		7,680

1241

*Assumes male-headed family not currently receiving AFDC-UF. A family currently receiving AFDC-UF would be "grandfathered" to protect from loss.
 **Participation in the health plan has been assumed at these levels, although coverage here is optional and it is likely that families at the higher contribution levels will opt for lower private coverage.

***No deductions from net income for private health insurance have been made for families not receiving family health insurance plan subsidy, although such families would typically purchase private coverage.

See footnotes on p. 1243.

TABLE 24.—FAMILY ASSISTANCE—ADMINISTRATION'S JUNE REVISIONS

[Benefits potentially available to a 4-person male-headed family in New York City, N.Y.*]

Benefits potentially available to 94 percent of FAP families nationwide										Benefits potentially available to only 6 percent of FAP families nationwide	
Earnings	Family assistance ¹	Total gross cash income	Total Federal, State, and social security taxes ²	Cash income less taxes	Net cash income less health insurance contribution	Proposed food stamp bonus ³	Net cash and food	Public housing bonus under proposed 1970 Housing Act ⁴	Total net cash, food, and public housing	Family medical insurance subsidy ⁵	Total
\$0.....	\$1,600	\$1,600		\$1,600	\$1,600	\$840	\$2,440	\$1,360	\$3,800	\$500	\$4,300
\$720.....	1,600	2,320	37	2,283	2,247	611	2,858	1,216	4,074	464	4,538
\$1,000.....	1,460	2,460	52	2,408	2,365	566	2,931	1,188	4,119	457	4,576
\$2,000.....	960	2,960	104	2,856	2,788	407	3,195	1,088	4,283	432	4,715
\$3,000.....	460	3,460	156	3,304	3,188	248	3,436	988	4,424	384	4,808
\$4,000.....		4,000	237	3,763	**3,593	76	3,669	855	4,524	330	4,854
\$5,000.....		5,000	458	4,542	**4,197		4,197	605	4,802	155	4,957
\$6,000.....		6,000	689	5,311	***5,311		5,311	355	5,666		5,666
\$7,000.....		7,000	939	6,061	***6,061		6,061	105	6,166		6,166
\$8,000.....		8,000	1,178	6,822	***6,822		6,822		6,822		6,822
\$9,000.....		9,000	1,437	7,563	***7,563		7,563		7,563		7,563

*Assumes a male-headed family not currently receiving AFDC-UF. A family currently receiving UF would be "grandfathered" to protect from loss.

**Participation in the health plan has been assumed at these levels, although coverage here is optional and it is likely that many families at the higher contribution levels will opt for lower private coverage.

***No deductions from net income for private health insurance have been made for families not receiving family health insurance plan subsidy, although such families would typically purchase private coverage.

See footnotes on p.1243.

FOOTNOTES FOR PROPOSED BENEFIT TABLES 21-24

1. Family Assistance benefits are \$1600 for a family of four with no other income, based on \$500 each for the first two persons, \$300 each for succeeding persons. Family Assistance benefits are reduced 50% for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

2. Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social Security taxes reflect the increase from 4.8 to 5.2% of earnings up to \$9,000 which will be effective January 1971.

3. Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the first year of operation of Family Assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1272) and the purchase price (31.8% of gross income less \$240).

4. The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That Act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of two. On the first \$3,500, families must pay 20% of net income for rent; on the amount over \$3,500, 25%. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the four cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA (insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for four persons families. The private annual gross rents assumed are as follows:

	2 bedroom
Phoenix -----	\$1,500
Wilmington -----	1,020
Chicago -----	1,920
New York City -----	1,680

TABLE 25.—AMENDED FAMILY ASSISTANCE AND HOUSING; CURRENT LAW, FOOD, AND MEDICAID (REQUESTED BY SEN. JOHN WILLIAMS)

[Benefits potentially available to a 4-person male-headed family in Phoenix, Ariz.]

Earnings	Benefits potentially available to 94 percent of FAP families nationwide					Benefits potentially available to only 6 percent of FAP families nationwide			Total
	Family assistance ¹	Total gross cash income	Total Federal, State, and social security taxes ²	Net cash income	Current schedule food stamp bonus ³	Total net cash and food	Public housing bonus under proposed 1970 Housing Act ⁴	Total net cash, food, and public housing	
\$0.....	\$1,600	\$1,600		\$1,600	\$864	\$2,464	\$1,180	\$3,644	\$3,644
\$720.....	1,600	2,320	\$37	2,283	624	2,907	1,036	3,943	3,943
\$1,000.....	1,460	2,460	52	2,408	624	3,032	1,008	4,040	4,040
\$2,000.....	960	2,960	104	2,856	480	3,336	908	4,244	4,244
\$3,000.....	460	3,460	156	3,304	408	3,712	808	4,520	4,520
\$4,000.....		4,000	246	3,754		3,754	675	4,429	4,429
\$5,000.....		5,000	455	4,545		4,545	425	4,970	4,970
\$6,000.....		6,000	675	5,325		5,325	175	5,500	5,500
\$7,000.....		7,000	912	6,088		6,088		6,088	6,088
\$8,000.....		8,000	1,140	6,860		6,860		6,860	6,860

1244

Note: No medicaid program or medically needy program currently.

See footnotes on p. 1248.

TABLE 26.--AMENDED FAMILY ASSISTANCE AND HOUSING; CURRENT LAW, FOOD, AND MEDICAID (REQUESTED BY SENATOR JOHN WILLIAMS)

[Benefits potentially available to a 4-person male-headed family,* Wilmington, Del.]

Earnings	Benefits potentially available to 94 percent of FAP families nationwide						Benefits potentially available to only 6 percent of FAP families nationwide		Total
	Family assistance ¹	Total gross cash income	Total Federal, State, and social security taxes ²	Net cash income	Current schedule, food-stamp bonus ³	Total net cash and food	Public housing bonus under proposed 1970 Housing act ⁴	Total net cash, food, and public housing	
\$0.....	\$1,600	\$1,600		\$1,600	\$864	\$2,464	\$700	\$3,164	\$3,164
\$720.....	1,600	2,320	\$37	2,283	624	2,907	556	3,463	3,463
\$1,000.....	1,460	2,460	52	2,408	624	3,032	528	3,560	3,560
\$2,000.....	960	2,960	104	2,856		2,856	428	3,284	3,284
\$3,000.....	460	3,460	156	3,304		3,304	328	3,632	3,632
\$4,000.....		4,000	245	3,755		3,755	195	3,950	3,950
\$5,000.....		5,000	454	4,546		4,546		4,546	4,596
\$6,000.....		6,000	677	5,323		5,323		5,323	5,323

* Assumes male-headed family not currently receiving AFDC-UF. A family receiving UF would be "grandfathered" to protect from loss.

Note: No medicaid program for the medically needy; but State may provide medicaid to families with an unemployed father.

See footnotes on p. 1248.

TABLE 27.—AMENDED FAMILY ASSISTANCE AND HOUSING; CURRENT LAW, FOOD, AND MEDICAID (REQUESTED BY SEN. JOHN WILLIAMS)
 [Benefits potentially available to a 4-person male-headed family* Chicago, Ill.],

Earnings	Benefits potentially available to 94 percent of FAP families nationwide					Benefits potentially available to only 6 percent of FAP families nationwide			Total
	Family assistance ¹	Total gross cash income	Total Federal, State, and social security taxes ²	Net cash income	Current schedule, food-stamp bonus ³	Total net cash and food	Public housing bonus under proposed 1970 Housing act ⁴	Total net cash, food, and public housing	
\$0	\$1,600	\$1,600		\$1,600	\$864	\$2,464	\$1,600	\$4,064	\$4,064
\$720	1,600	2,320	\$37	2,283	624	2,907	1,456	4,363	4,363
\$1,000	1,460	2,460	52	2,408	624	3,032	1,428	4,460	4,460
\$2,000	960	2,960	104	2,856	480	3,336	1,328	4,664	4,664
\$3,000	460	3,460	156	3,304	408	3,712	1,228	4,940	4,940
\$4,000		4,000	236	3,764		3,764	1,095	4,859	4,859
\$5,000		5,000	441	4,559		4,559	845	5,404	5,404
\$6,000		6,000	655	5,345		5,345	595	5,940	5,940
\$7,000		7,000	880	6,120		6,120	345	6,465	6,465
\$8,000		8,000	1,093	6,907		6,907	95	7,002	7,002
\$9,000		9,000	1,320	7,680		7,680		7,680	7,680

*Assumes male-headed family not currently receiving AFDC-UF. A family receiving UF would be "grandfathered," to protect from loss.

Note: States may provide medicaid to families with an unemployed father. See footnotes on p. 1248.

**TABLE 28.—AMENDED FAMILY ASSISTANCE AND HOUSING; CURRENT LAW FOOD AND MEDICAID
(REQUESTED BY SEN. JOHN WILLIAMS)**

[Benefits potentially available to a 4-person male-headed family* in New York City, N.Y.]

Earnings	Benefits potentially available to 94 percent of FAP families nationwide					Benefits potentially available to only 6 percent of FAP families nationwide			Total
	Family assistance ¹	Total gross cash income	Total Federal, State, and social security taxes ²	Net cash income	Current schedule, food-stamp bonus ³	Total net cash and food	Public housing bonus under proposed 1970 ⁴ Housing act ⁵	Total net cash, food, and public housing	
\$0.....	\$1,600	\$1,600		\$1,600	\$ 864	\$2,464	\$1,360	\$3,824	\$3,824
\$720.....	1,600	2,320	\$37	2,283	624	2,907	1,216	4,123	4,123
\$1,000.....	1,460	2,460	52	2,408	624	3,032	1,188	4,220	4,220
\$2,000.....	960	2,960	104	2,856	480	3,336	1,088	4,424	4,424
\$3,000.....	460	3,460	156	3,304	408	3,712	988	4,700	4,700
\$4,000.....		4,000	237	3,763	312	4,075	855	4,930	4,930
\$5,000.....		5,000	458	4,542		4,542	605	5,147	5,147
\$6,000.....		6,000	689	5,311		5,311	305	5,616	5,616
\$7,000.....		7,000	939	6,061		6,061	155	6,216	6,216
\$8,000.....		8,000	1,178	6,822		6,822		6,822	6,822
\$9,000.....		9,000	1,437	7,563		7,563		7,563	7,563

*Assumes male-headed family not currently receiving AFDC-UF. A family currently receiving UF would be "grandfathered" to protect from loss.

See footnotes on p. 1248.

FOOTNOTES FOR TABLES 25-28

1. Family Assistance benefits are \$1600 for a family of four with no other income, based on \$500 each for the first two persons, \$300 each for succeeding persons. Family Assistance benefits are reduced 50% for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

2. Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social Security taxes reflect the increase from 4.8 to 5.2% of earnings up to \$9000 which will be effective January 1971.

3. Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the first year of operation of Family Assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment and the purchase price, using the current food stamp schedule.

4. The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That Act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of two. On the first \$3,500, families must pay 20% of net income for rent; on the amount over \$3,500, 25%. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the four cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for four person families. The private annual gross rents assumed are as follows:

	<i>2 bedroom</i>
Phoenix -----	\$1,500
Wilmington -----	1,020
Chicago -----	1,920
New York City -----	1,680

APPENDIX E

(Material Related to Work and Training Provisions of Administration Revision of H.R. 16311—Prepared by the Staff of the Committee on Finance)

(1249)

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Appendix (Tables and statistical material):

1. Comparison of increase in AFDC and number of welfare cases closed following participation in work incentive program
2. Number of work incentive program enrollees in on-the-job training or in special work projects, by State
3. Number of States with mandatory referral of AFDC recipients to education, training, and/or employment
4. Average hourly wages and average hours worked per week of WIN employed trainees, by State

CHART 1

**THE WIN PROGRAM HAS NOT ACHIEVED OPTIMISTIC
LABOR DEPARTMENT PROJECTIONS**

When Congress was considering the establishment of a work and training program for welfare recipients in 1967, there was considerable debate over whether the program should be administered by the Department of Health, Education, and Welfare, or the Department of Labor. The Social Security Amendments of 1967 as passed by the House gave the administration of the Work Incentive Program to HEW, which at that time was already administering a training program for welfare recipients under Title V of the Economic Opportunity Act.

When the Department of Labor testified before the Committee on Finance, however, its estimates of the numbers of persons who could be trained and the speed with which the program could be implemented were significantly higher than those of HEW. The decision was subsequently made to place administration of the program under the Department of Labor.

The Department of Labor estimates to the House-Senate conferees in 1967 included a projection that in fiscal year 1970, the first full year of the WIN program, it would have 150,000 trainees. In 1969, the estimate to the Appropriations Committee of the number of trainees in 1970 was cut approximately in half--to a total of 77,000 trainees. The actual average number of trainees in 1970 was 42,000--less than one-third of the projection given the Congress when the program was established.

The estimate by the Department of Labor of the number of persons which it would expect to train in the first year of the Family Assistance Plan is 225,000. If the same ratio of projected enrollees to actual enrollees were to be repeated, an average of only 63,000 individuals would actually receive training in the first year.

The WIN Program Has Not Achieved Optimistic Labor Department Projections

NUMBER OF TRAINEES

First full year of WIN
program (Fiscal 1970)

First year of Family
Assistance Plan

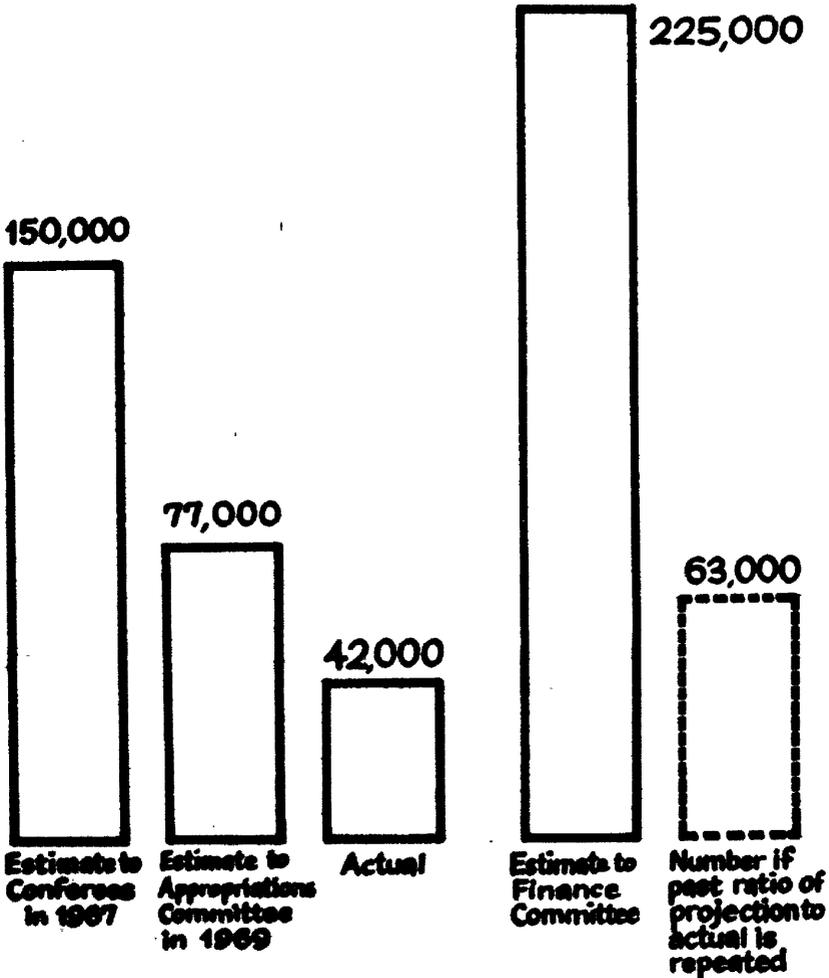


CHART 2

**WHAT HAPPENED TO 330,000 AFDC
RECIPIENTS FOUND APPROPRIATE
FOR REFERRAL TO WIN**

Under the Social Security Act, it is the responsibility of State welfare agencies to assess welfare recipients to determine whether they are appropriate for referral for work or training under the Work Incentive (WIN) Program. If an individual is found to be appropriate, he or she is then referred to the Department of Labor for enrollment in WIN.

However, as the chart opposite illustrates, nearly one-fourth of the 330,000 AFDC recipients found appropriate for referral in the first 21 months of the program in fact were never referred to WIN. One-third were referred by welfare agencies but were never enrolled in the program by the Department of Labor.

About 25 percent of those found appropriate were still enrolled in WIN on March 31, 1970; another 15 percent had been enrolled in WIN but had dropped out, with or without good cause.

Only 4 percent of those found appropriate were in jobs and had fully completed their employability plans under the WIN Program.

What Happened to 330,000 AFDC Recipients Found Appropriate for Referral to WIN

(Status as of March 31, 1970)

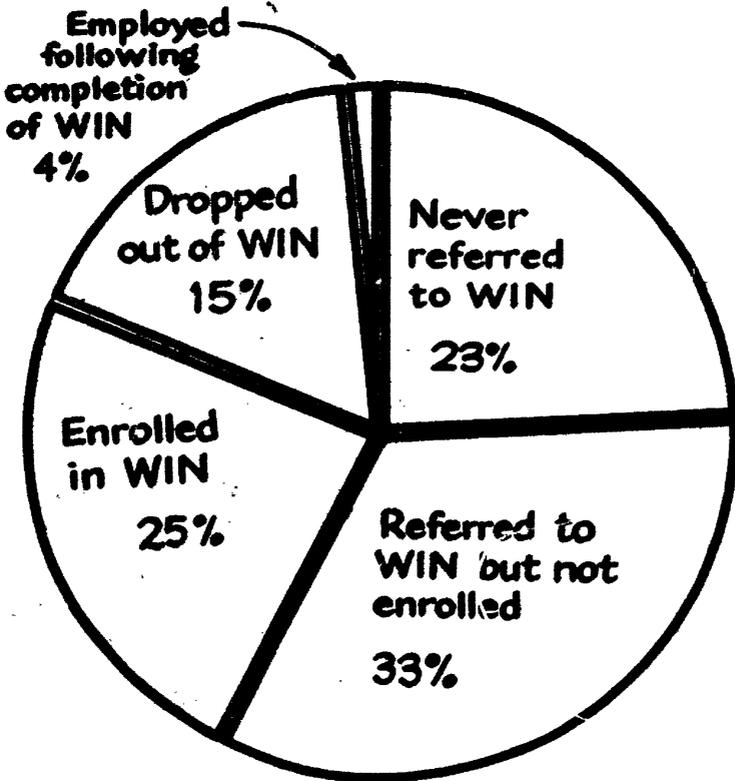


CHART 3

STATUS OF WIN ENROLLEES

This chart shows the status of the 83, 200 enrollees in the Work Incentive Program as of March 31, 1970. 14, 825 of these individuals were awaiting their assignment to their next training component, while 7, 478 were awaiting their first assignment. Together, these groups constitute 27 percent of the enrollees and are in the "holding" category. Persons in this category are not actually receiving any training.

By far the largest group of those enrolled in WIN were engaged in institutional training, which is composed of pre-vocational educational training and institutional skill training. They receive general upgrading of their education, but this training is often not related to skills from which employment will flow. These groups constitute 57 percent of the enrollees.

On-the-job training constituted less than one percent of the March enrollment, with 536 individuals so placed.

Special work projects (public service employment) constitute about one percent of the enrollment, with 929 participants.

Finally, in a trial work or "follow-up" status there were approximately 12, 000 WIN enrollees. These individuals were actually on jobs, but continued to be under the supervision of the WIN program, and supportive services were still supplied to these enrollees.

Status of WIN Enrollees

(As of March 31, 1970)

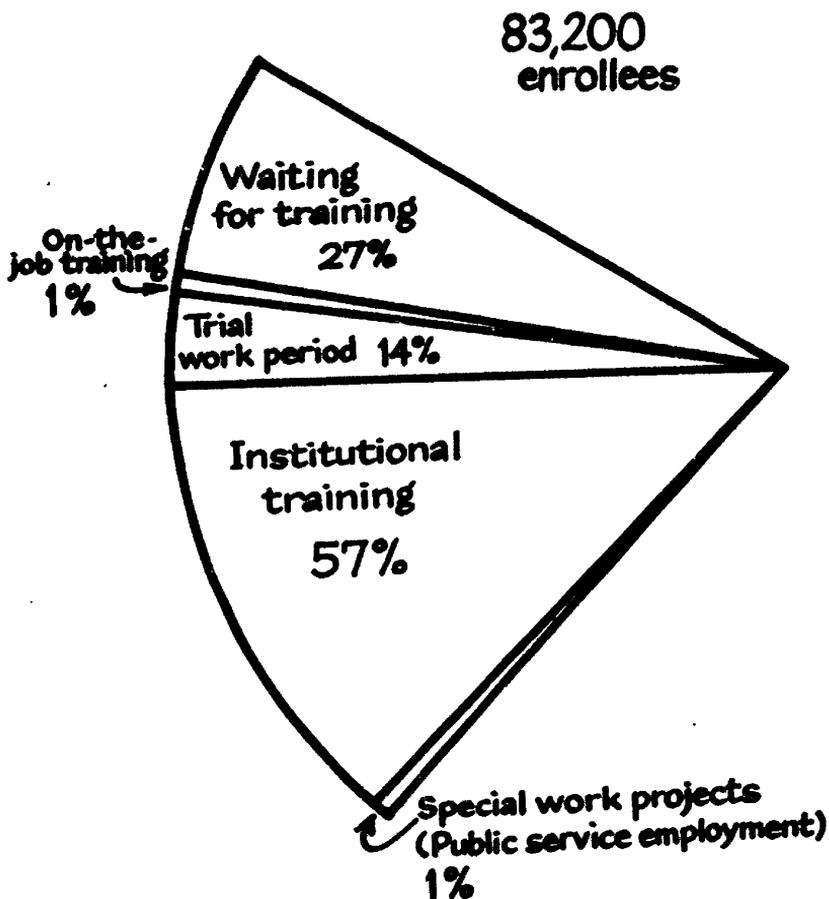


CHART 4

WIN DROPOUTS

The chart gives a breakdown of dropouts from the Work Incentive Program as of March 31, 1970.

Of the approximately 60,000 individuals who have terminated from the WIN program, 48,500 are dropouts. More than 12,000 of these dropouts were terminated without good cause, either refusing to continue in the program, being separated by administrative decision for misconduct, or else they could not be located.

The rest of the terminees are categorized as leaving the program with good cause, and are broken down in the following manner:

- illness or pregnancy, 9,200,
- moved from area, 5,200,
- child care not available, 4,700,
- other good causes, 17,200.

WIN Dropouts (As of March 31, 1970)

**48,500
dropouts**

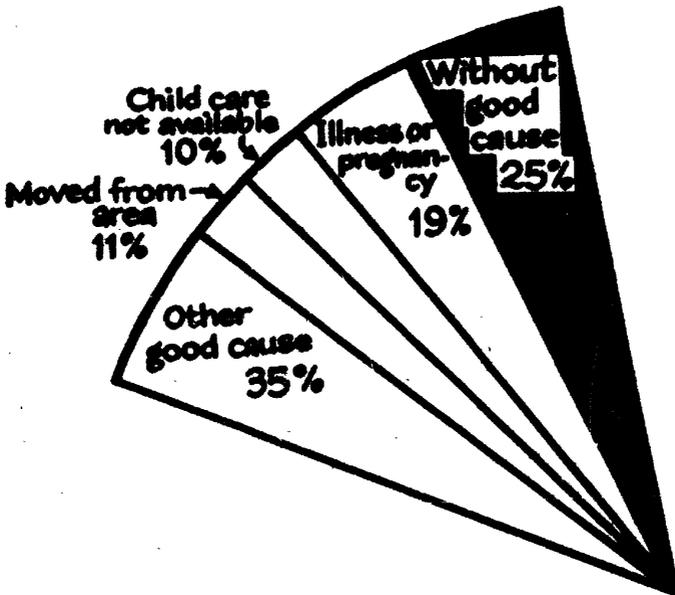


CHART 5

**THE WIN PROGRAM HAS NOT KEPT PACE
WITH INCREASES IN THE WELFARE ROLLS**

Although the Work Incentive Program was created in the hope that it would be an effective tool in helping welfare recipients to achieve greater economic independence, it has in fact had very little impact on the welfare rolls.

As the chart opposite illustrates, in the period since the WIN program began operating, from July 1968 to March 1970, there was an increase in the number of families receiving AFDC of 641, 000. The total number of families receiving AFDC in March of this year was 2, 024, 000.

During the first 21 months of the WIN program, welfare agencies determined that 330, 000 fathers, mothers, and youths over age 16 receiving welfare were appropriate for referral for work or training. However, of those determined to be appropriate, only 254, 000 were actually referred. And of those referred by welfare agencies only 145, 000, less than one-half of those found appropriate, were enrolled in the Work Incentive Program by the Department of Labor. Finally, only 13, 000 AFDC case closings in this time-span are attributable to employment or increased earnings following participation in WIN.

The WIN Program Has Not Kept Pace with Increases in the Welfare Rolls

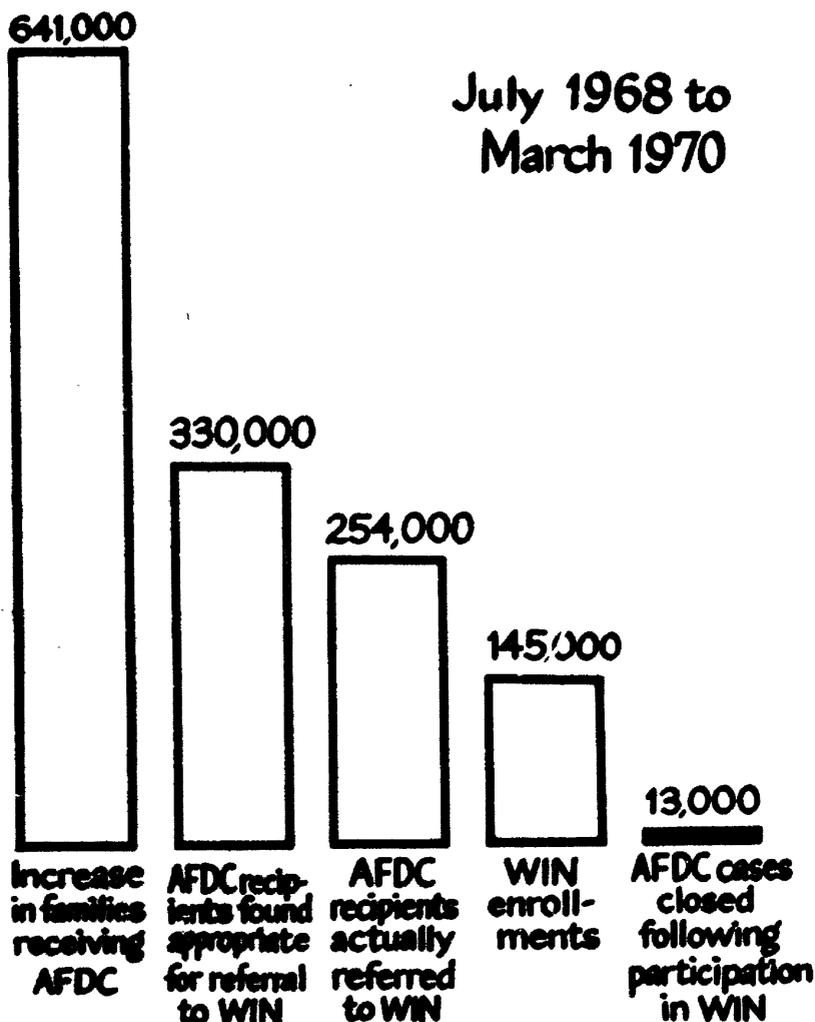


CHART 6

**AFDC CASELOAD INCREASES AND TERMINATIONS
FOLLOWING PARTICIPATION IN WIN,
OCTOBER - DECEMBER 1969**

As the chart on the opposite page illustrates, the States have been experiencing caseload increases in Aid to Families with Dependent Children which are far greater than the numbers of families leaving the welfare rolls after participating in the WIN program.

In the State of Arkansas, for example, there was an increase in AFDC families in the period October-December 1969 of 1000. Only three families, or 0.3 percent of the increased caseload, left the rolls after enrollment in WIN. In Connecticut, the increase in AFDC families was 800, with only 55 families, or 6.9 percent of the increase, leaving the rolls after WIN training.

A table showing the caseload increase and the numbers leaving the rolls in each State is included in the Appendix.

AFDC Caseload Increases and Terminations Following Participation in WIN, October-December 1969

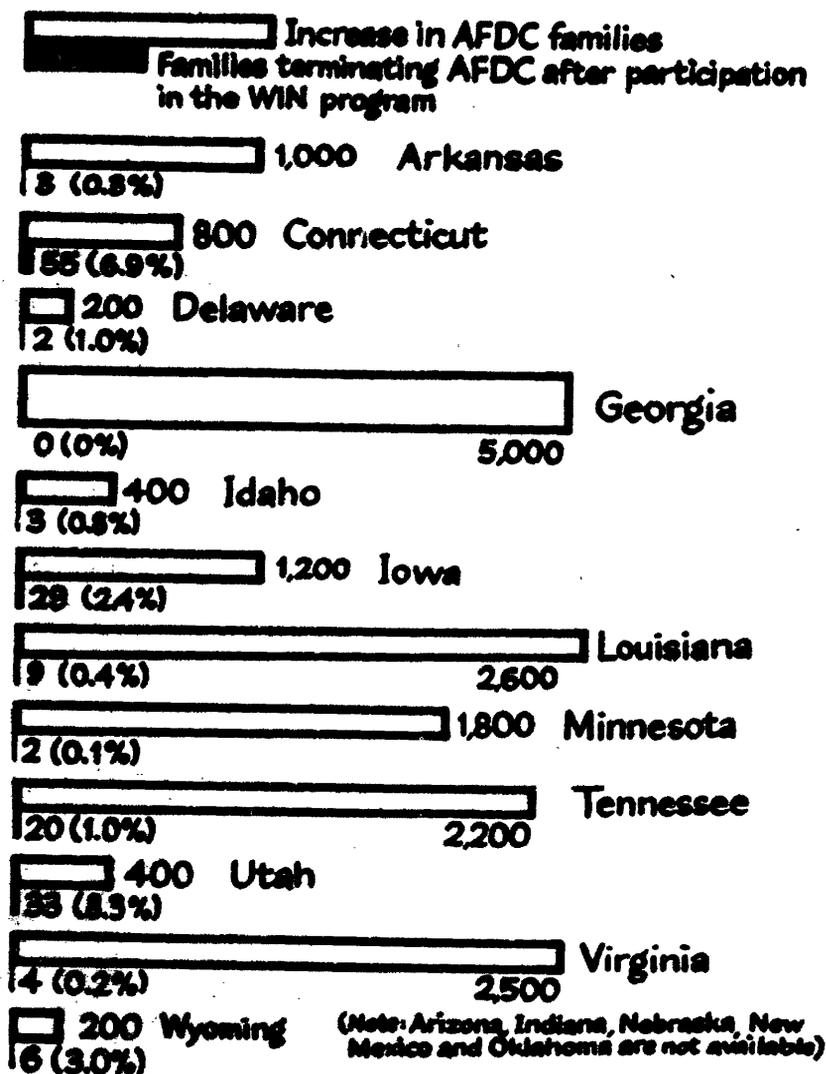


CHART 7
REFUSAL TO PARTICIPATE IN WIN SELDOM
RESULTS IN LOSS OF WELFARE PAYMENTS

Such information as has been presented to the Committee indicates that few welfare recipients have lost their payments for failure to participate in the Work Incentive (WIN) Program. Although by April 30, 1970, 12,852 persons had dropped out of WIN without good cause, it appears that only a few hundred welfare cases had been terminated for failure to accept work or WIN training. Section 433(g) of the Social Security Act requires the Secretary of Labor to notify the State welfare agency whenever an individual referred to WIN refuses without good cause to participate in a project under WIN or accept employment. The welfare agency is required under the Social Security Act (Sec. 402(e)(19)(f)) to terminate the individual's share of the welfare payment and to make protective payments to the children in the family. A counseling period of 60 days is required before the payment may be cut off.

The chart shows information related to the first 18 months the program was effective, the latest period of time for which comparable data is available. Labor Department statistics show that during that period 8100 individuals had dropped out of the Work Incentive Program without good cause--they either refused to continue, could not be located, or were separated from the program by administrative decision (because of bad conduct or other reasons). Statistics from the Department of Health, Education, and Welfare show that during the same 18 months, 6100 persons had been referred back to the welfare agencies by the manpower agencies for refusal without good cause to accept work and training. Finally, such incomplete statistics as we have show that only about 200 cases were closed in the first 18 months because of refusal to participate.

Refusal to Participate in WIN Seldom Results in Loss of Welfare Payments

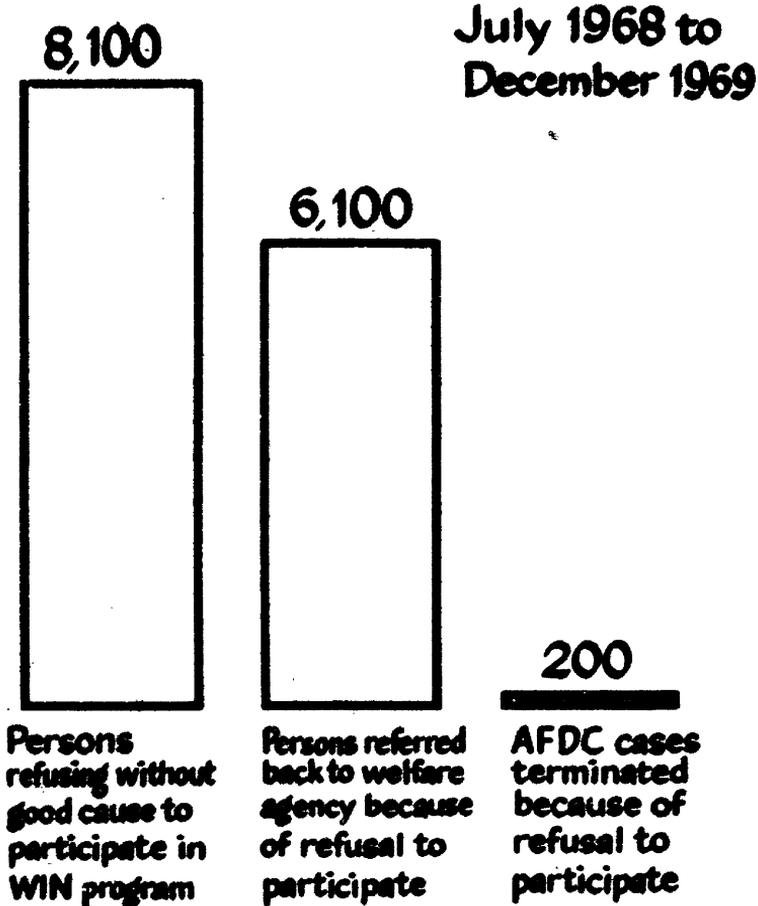


CHART 8

WIN PROBLEM AREAS

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

Previous manpower training programs for welfare recipients (Community Work and Training and Work Experience) had been criticized for failure to incorporate substantial on-the-job training (OJT). At this stage of its development, the WIN program is subject to the same criticism. There are about 650 people on OJT. The bill puts great stress on getting more people into OJT and the bill provides for an additional source of financing for such training. The immediate problems, however, are more in arranging such training than in financing it since funds have been available but unused.

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

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

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

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

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

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

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

As to lack of jobs, the Auerbach Corporation states:

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

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

WIN Problem Areas

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

CHART 9

USE OF WIN APPROPRIATIONS FOR DAY CARE

For fiscal year 1969, the first year of the Work Incentive Program (WIN), the Congress appropriated \$25 million for child care, as part of the overall WIN appropriation. The Department of Health, Education, and Welfare actually used only \$4 million of this amount. This same pattern was repeated in 1970, when \$52 million was appropriated, but only \$18 million was used. In both years the Department has greatly overestimated both the amounts of money which it could effectively spend for WIN child care and the numbers of children who would be served.

Despite the availability of Federal funds for WIN child care, the lack of child care remains one of the major drawbacks to the success of the WIN program. According to Health, Education, and Welfare reports, significant numbers of welfare recipients are not referred to WIN solely because of the unavailability of child care.

Use of WIN Appropriations for Day Care

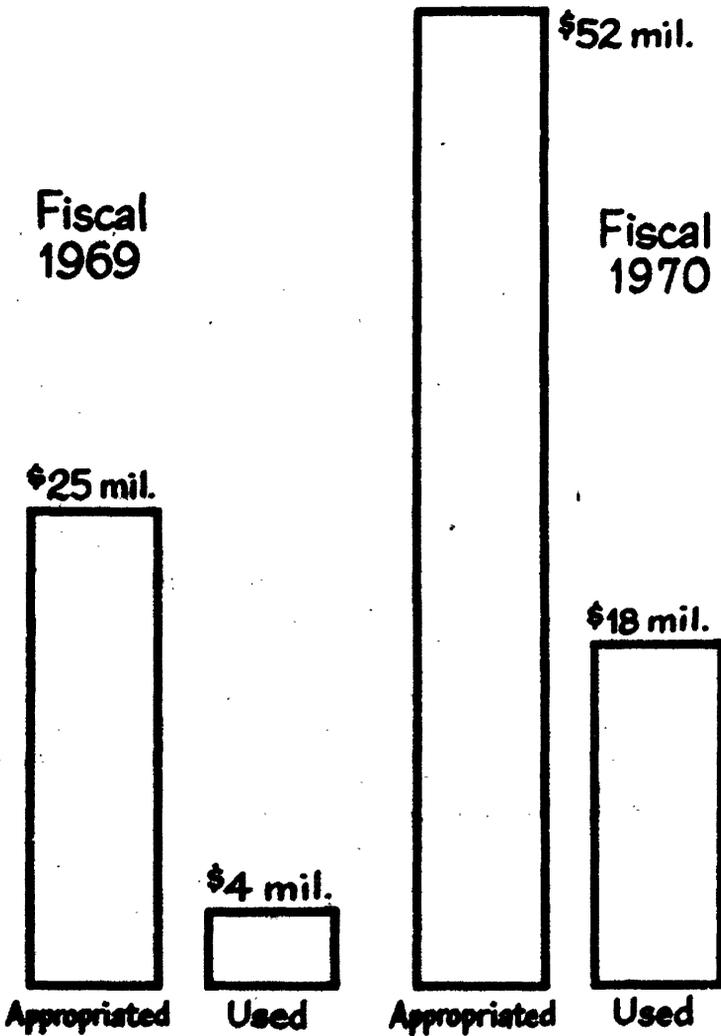


CHART 10

USE OF WIN APPROPRIATIONS
FOR ON-THE-JOB TRAINING

On-the-job training has been developed to only a small fraction of what the Department of Labor originally envisioned. In fiscal year 1969, the average number of participants projected in the operating budget for the year was 15,300. The actual number for that year, however, was about 500. The following is an excerpt from the Department of Labor testimony regarding on-the-job training before the House Appropriations Committee in May of 1970:

"From a base of 269 enrollees at the beginning of the fiscal year 1970 the Department of Labor plans to have a minimum of 1,000 individuals enrolled in on-the-job training by June 30, 1970, for an approximate average enrollment of 600."

In April of 1970 there were 661 welfare recipients in on-the-job training and the average enrollment for the year was less than 500 out of a total average enrollment in the Work Incentive Program of about 75,000. The chart shows the amount appropriated for on-the-job training and the amount actually used, on a cost basis, in fiscal years 1969 and 1970.

Use of WIN Appropriations for On-the-Job Training

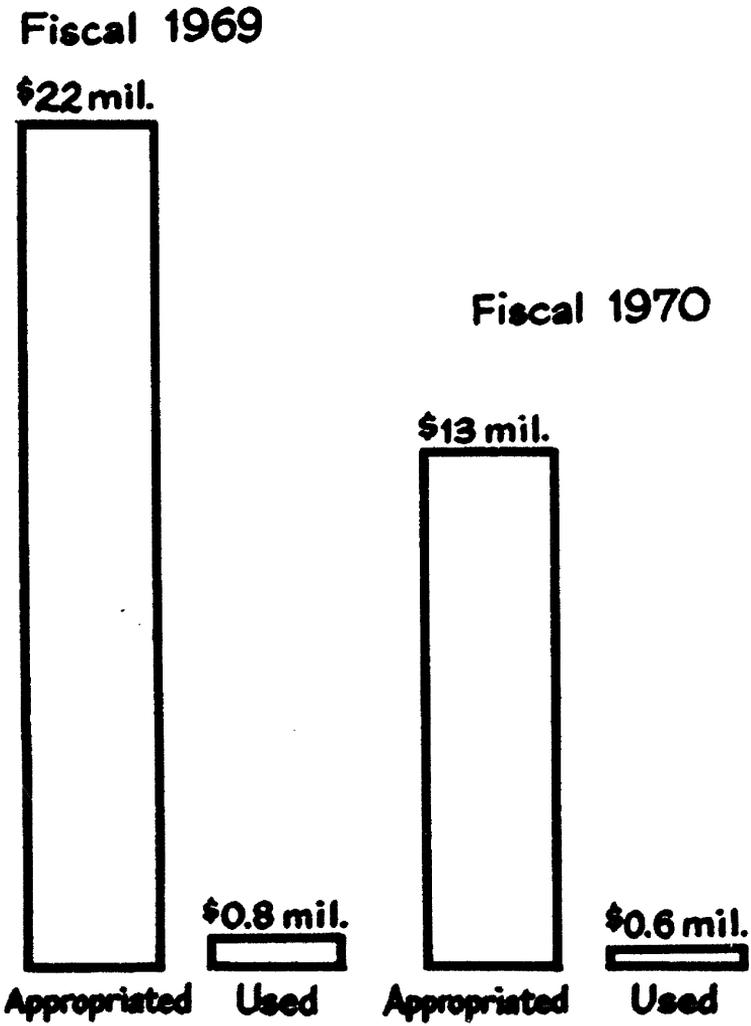


CHART 11

USE OF WIN APPROPRIATIONS
FOR SPECIAL WORK PROJECTS

Under the Social Security Act, each State WIN program is required to have a special work project. To the end of quickly establishing these programs, Congress provided 100 percent Federal matching for the first year of the program. However, special work projects have only been substantially initiated in one jurisdiction -- the State of West Virginia. Forty-four jurisdictions have no programs at all, and five jurisdictions have token projects which only accommodate about 50 enrollees.

The chart shows the amount appropriated for special work projects, and the amount actually used (on a cost basis) in fiscal years 1969 and 1970. Before the House Appropriations Committee in May of this year, the Labor Department stated that it "anticipates that an average of 2,000 individuals at an estimated \$400 per participant will be provided supportive services, and \$800,000 is included in the estimates for this purpose. By June 30, 1970, enrollment level is expected to reach 4,000."

At the end of April 1970, however, only 986 persons were enrolled in special work projects, 926 of whom were in the State of West Virginia.

Use of WIN Appropriations for Special Work Projects (Public Service Employment)

Fiscal 1969

\$7.0 mil.



Appropriated

\$0.1 mil.

Used

Fiscal 1970

\$1.0 mil.



Appropriated

\$0.3 mil.

Used

CHART 12

USE OF WIN APPROPRIATIONS
FOR INSTITUTIONAL TRAINING

In both fiscal year 1969 and 1970, the Department of Labor used only a small portion of the funds which it requested and which were appropriated by the Congress for use for on-the-job training and special work projects (public service employment). This same pattern prevailed for institutional training in fiscal year 1969, when only \$22 million of the \$59 million appropriated for this purpose was actually used. However, the Department of Labor has recently had greater success in developing institutional training components than it has had with OJT or special work projects. For fiscal year 1970, the Congress appropriated \$46 million for institutional training, but the Department re-programed its WIN allocations so that it was able to spend a larger amount, \$57 million for this kind of training. This was possible because of failure to use funds for training directly related to job opportunities.

Use of WIN Appropriations for Institutional Training

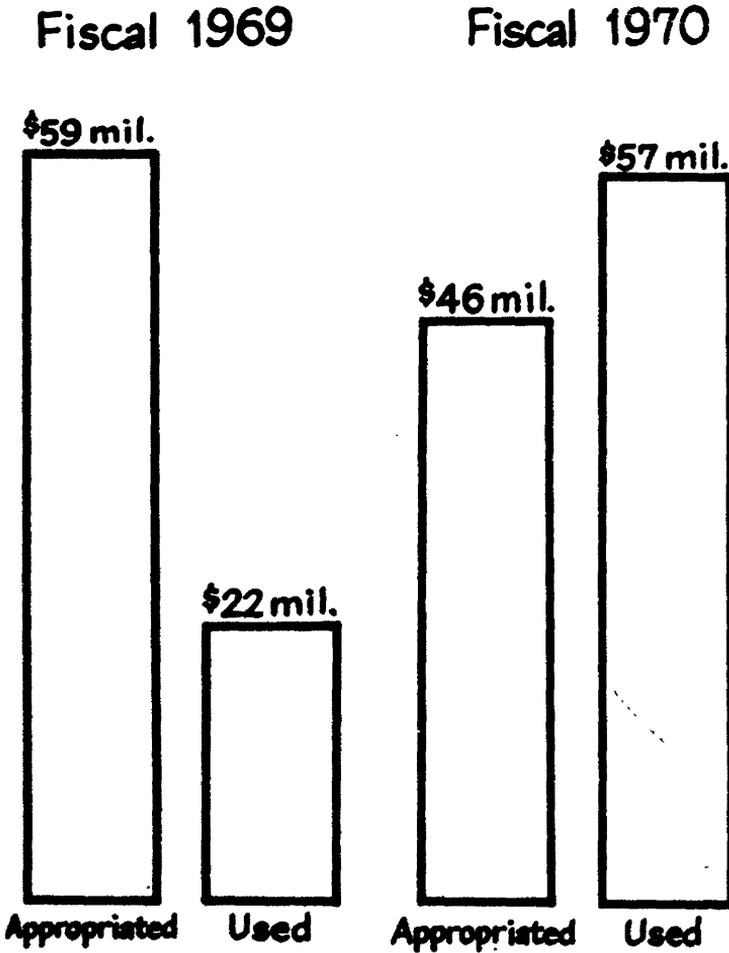


CHART 13

WORK INCENTIVE FEATURES

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

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

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

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

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

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

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

Work Incentive Features

Present law

- Person referred if State finds appropriate, unless
 - child under 16 (or under 21 attending school)
 - ill, disabled, or aged
 - caring for ill member of household
- Persons must be placed in employment, training, or work project
- State must disregard work expenses, \$30 of earnings plus $\frac{1}{3}$ of additional earnings
- \$30 training allowance
- Payment stopped for refusal to participate

H.R. 16311

- Registration required unless person is
 - child under 16 (or under 21 attending school)
 - ill, disabled, or aged
 - caring for ill member of household
 - mother of child under 6
 - mother in family where father registers
- Left to discretion of Department of Labor
- Impact of disregard generally same as present law
- Training allowance at least \$30
- Same as present law

CHART 14

**WELFARE ROLLS INCREASE UNDER H. R. 16311
WHILE TRAINING AND DAY CARE EFFORTS
REMAIN CONSTANT**

According to estimates of the Administration, the number of recipients of Family Assistance payments and of State supplementary payments would grow from about 21 million in 1972 to 24 million in 1976. (Aged, blind and disabled persons are not included in these totals.) Despite the increase in numbers of recipients, the Administration cost estimates project a constant expenditure each year for child care and training. The amount estimated for these purposes on an annual basis is \$600 million, of which \$386 million would be for child care. The Administration has estimated that in the first year of the Family Assistance Plan this amount would provide training for 225,000 individuals and child care for 450,000 children of parents in work or training.

It should be noted that although the Administration has projected training and day care costs based on a level continuation of the first year estimates for these programs, they have stated in a footnote to the cost tables that "decisions about program levels for training and day care in future years will greatly depend on program results in the preceding years."

Welfare Rolls Increase Under H.R. 16311 While Training and Day Care Efforts Remain Constant

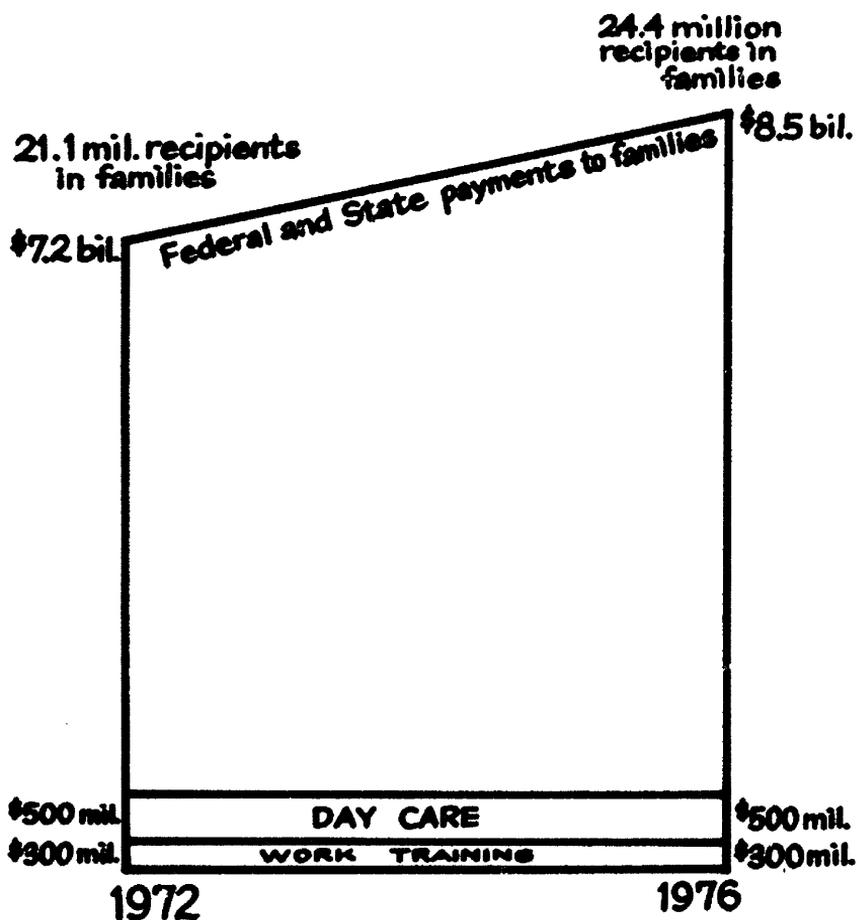


TABLE 1

COMPARISON OF INCREASE IN AID TO FAMILIES WITH DEPENDENT CHILDREN AND NUMBER OF WELFARE CASES CLOSED FOLLOWING PARTICIPATION IN WORK INCENTIVE PROGRAM
OCTOBER-DECEMBER 1969

	Increase in families on AFDC Oct. - Dec. 1969	AFDC cases closed following participation in WIN, Oct. - Dec. 1969	Percentage
Total, U. S.	127,000	2,746	2.2 %
Alabama	2,200	13	0.6 %
Alaska	200	1	0.5 %
Arizona	700	NA	NA
Arkansas	1,000	3	0.3 %
California	24,000	1,073	4.5 %
Colorado	1,200	81	6.8 %
Connecticut	800	55	6.9 %
Delaware	200	2	1.0 %
District of Columbia	800	41	5.1 %
Florida	3,800	4	0.1 %
Georgia	5,000	-0-	0 %
Guam	20	NA	NA
Hawaii	400	NA	NA
Idaho	400	3	0.8 %
Illinois	2,500	75	3.0 %
Indiana	2,000	NA	NA
Iowa	1,200	29	2.4 %
Kansas	1,100	21	1.9 %
Kentucky	800	47	5.9 %
Louisiana	2,600	9	0.4 %
Maine	800	4	0.5 %
Maryland	1,900	-0-	NA
Massachusetts	6,600	9	0.1 %
Michigan	5,100	37	0.7 %
Minnesota	1,800	2	0.1 %
Mississippi	1,300	1	0.1 %

COMPARISON OF INCREASE IN AID TO FAMILIES WITH DEPENDENT
CHILDREN AND NUMBER OF WELFARE CASES CLOSED FOLLOWING
PARTICIPATION IN WORK INCENTIVE PROGRAM
OCTOBER-DECEMBER 1969 (cont.)

	Increase in families on AFDC Oct. - Dec. 1969	AFDC cases closed following participation in WIN, Oct. - Dec. 1969	Percentage
Missouri	2,500	41	1.6 %
Montana	300	2	0.7 %
Nebraska	400	NA	NA
Nevada	100	NA	NA
New Hampshire	200	NA	NA
New Jersey	8,900	58	0.7 %
New Mexico	1,000	NA	NA
New York	7,000	96	1.4 %
North Carolina	2,300	17	0.7 %
North Dakota	-0-	-0-	-0-
Ohio	3,400	337	9.9 %
Oklahoma	600	NA	NA
Oregon	3,500	6	0.2 %
Pennsylvania	5,400	137	2.5 %
Puerto Rico	2,400	93	3.8 %
Rhode Island	300	23	1.7 %
South Carolina	1,300	2	0.2 %
South Dakota	200	6	3.0 %
Tennessee	2,200	20	1.0 %
Texas	8,000	-0-	0 %
Utah	400	33	8.3 %
Vermont	-0-	12	--
Virgin Islands	30	NA	NA
Virginia	2,500	4	0.2 %
Washington	3,800	67	1.8 %
West Virginia	1,100	213	19.4 %
Wisconsin	- 400	63	--
Wyoming	200	6	3.0 %

(Note: The information was not available for the States
so indicated)

SOURCE: Department of Health, Education, and Welfare

TABLE 2

NUMBER OF WORK INCENTIVE PROGRAM ENROLLEES
IN ON-THE-JOB TRAINING OR IN SPECIAL WORK PROJECTS,
BY STATE, APRIL 1970

Total U. S.	Enrollees in On-the-Job Training	Enrollees in Special Work Projects
Total U. S.	661	976
Alabama	-0-	-0-
Alaska	-0-	-0-
Arizona	27	-0-
Arkansas	11	-0-
California	114	5
Colorado	2	-0-
Connecticut	10	-0-
Delaware	-0-	-0-
District of Columbia	-0-	-0-
Florida	3	1
Georgia	10	-0-
Hawaii	19	-0-
Idaho	-0-	-0-
Illinois	12	-0-
Indiana	-0-	-0-
Iowa	-0-	-0-
Kansas	-0-	-0-
Kentucky	-0-	-0-
Louisiana	24	-0-
Maine	11	-0-
Maryland	19	3
Massachusetts	7	-0-
Michigan	6	2
Minnesota	2	-0-
Mississippi	4	-0-
Missouri	-0-	-0-
Montana	9	-0-
Nebraska	-0-	-0-

NUMBER OF WORK INCENTIVE PROGRAM ENROLLEES
IN ON-THE-JOB TRAINING OR IN SPECIAL WORK PROJECTS,
BY STATE, APRIL 1970 (Cont.)

	Enrollees in On-the-Job Training	Enrollees in Special Work Projects
Nevada	-0-	-0-
New Hampshire	-0-	-0-
New Jersey	2	-0-
New Mexico	2	-0-
New York	29	-0-
North Carolina	-0-	-0-
North Dakota	-0-	-0-
Ohio	7	-0-
Oklahoma	5	-0-
Oregon	17	-0-
Pennsylvania	4	-0-
Rhode Island	-0-	-0-
South Carolina	-0-	-0-
South Dakota	10	-0-
Tennessee	6	-0-
Texas	3	-0-
Utah	1	-0-
Vermont	9	-0-
Virginia	2	-0-
Washington	6	-0-
West Virginia	203	926
Wisconsin	22	39
Wyoming	-0-	-0-
Puerto Rico	43	-0-
Virgin Islands	-0-	-0-
Guam	-0-	-0-

SOURCE: Department of Labor

TABLE 3

Number of States with mandatory referral ^{1/} of AFDC Recipients to Education, Training and/or Employment.

States	Is mandatory referral of appropriate recipients applicable to										
	(1) Work Incentive Program			(2) State manpower agency			(3) Other education and/or training including that provided by the State welfare agency				No education and training plan
	Yes	No	^{2/} NS	Yes	No	^{2/} NS	Yes	No	^{2/} NS		
Unemployed fathers	17	9	11	13	14	10	7	14	9	7	
Other fathers	17	17	3	16	19	2	11	15	3	8	
Mothers *	^{3/} 17	24	1	12	25	-	9	20	1	7	
Youth 16 and over	31	4	2	14	20	3	10	17	3	.7	
Other	14	12	11	7	22	8	6	19	7	5	

* 42 States reporting WIN mandatory referrals as of October 10, 1969
37 States reporting for all other items.

^{1/} Those recipients subject to sanctions if they refuse, without good cause, to participate in education, training, or take a job.

^{2/} Not stated.

^{3/} Arkansas, Florida, Georgia, Illinois, Indiana, Michigan, Mississippi, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia, Washington, Guam and Puerto Rico.

Based on data from HEW

SOURCE:

U.S. Department of Labor
Manpower Administration
Office of Manpower Management Data
Systems - January 1970

TABLE 4

**AVERAGE HOURLY WAGES AND AVERAGE HOURS WORKED
PER WEEK OF WIN EMPLOYED TERMINEES, BY STATE ^{1/}**

	Number of Reports with Wages	Average Hourly Wage	Number of Reports with Hours	Average Hours Per Week
U. S. Total	5,419	\$2.30	5,722	39.7
Region I				
Connecticut	57	2.19	57	38.6
Maine	7	1.80	6	37.5
Massachusetts	35	1.93	38	37.1
New Hampshire	*	*	*	*
Rhode Island	25	2.07	26	37.0
Vermont	30	1.82	32	38.3
Region II				
New Jersey	187	2.19	192	38.0
New York	209	2.46	222	38.1
Puerto Rico	32	1.31	32	39.7
Virgin Islands	*	*	*	*
District of Columbia	165	2.12	167	40.0
Region III				
Delaware	*	*	*	*
Maryland	76	1.95	89	39.0
Pennsylvania	368	2.35	390	39.9
Virginia	4	1.81	4	40.0
West Virginia	661	2.16	686	40.0
Region IV				
Alabama	111	1.74	111	39.2
Florida	19	1.83	20	39.7
Georgia	2/		2/	
Kentucky	7	1.71	8	37.6
Mississippi	35	1.37	35	37.1
North Carolina	9	2.10	9	36.4
South Carolina	*	*	*	*
Tennessee	53	2.03	64	39.5
Region V				
Illinois	226	2.45	229	39.5
Indiana	*	*	*	*
Michigan	217	2.32	233	39.7
Minnesota	39	2.35	39	39.4
Ohio	225	2.22	246	40.0
Wisconsin	171	2.58	177	40.1

**AVERAGE HOURLY WAGES AND AVERAGE HOURS WORKED
PER WEEK OF WIN EMPLOYED TERMINEES, BY STATE 1/ (Cont.)**

	Number of Reports with Wages	Average Hourly Wage	Number of Reports with Hours	Average Hours Per Week
Region VI				
Arkansas	14	\$ 1.71	18	38.9
Louisiana	62	1.67	64	38.9
New Mexico	5	1.60	5	40.0
Oklahoma	*	*	*	*
Texas	5	1.94	20	40.0
Region VII				
Iowa	52	1.88	52	39.3
Kansas	84	2.00	85	39.2
Missouri	65	1.90	67	39.4
Nebraska	*	*	*	*
Region VIII				
Colorado	118	2.16	148	40.2
Montana	25	1.76	26	40.2
North Dakota	2/		2/	
South Dakota	*	*	5	40.0
Utah	7	2.22	7	42.3
Wyoming	19	1.72	20	39.4
Region IX				
Arizona	39	1.72	53	40.0
California	1,597	2.59	1,639	39.8
Guam	2/		2/	
Hawaii	18	2.71	20	40.0
Nevada	*	*	*	*
Region X				
Alaska	17	2.78	17	39.1
Idaho	2/	1.92	2/	
Oregon	15	2.36	16	41.0
Washington	228	2.38	260	39.4

1/ Based on reports received for January 1, 1969-March 31, 1970; reports tabulated as of June 12, 1970.

2/ Less than 4 reports

* Not available

Source: U. S. Department of Labor, Manpower Administration,
Office of Manpower Management Data System.

APPENDIX F

(Response to information requested by Senator Miller re welfare fraud on July 30, 1970 (page 703 of this volume). This material was received too late to be included at the point where the request was made.)

(1287)

SEPTEMBER 11, 1970.

HON. WILL R. WILSON,
*Assistant Attorney General,
 Criminal Division, Department of Justice,
 Washington, D.C.*

DEAR MR. WILSON: During hearings before the Committee on Finance on the President's family assistance plan, Senator Miller requested from the Secretary of Health, Education, and Welfare, Elliot L. Richardson, information regarding the number of welfare cases in which fraud has been detected. In response to Senator Miller's request, the Secretary submitted four memorandums to the committee.

Senator Miller then requested that the committee "direct the staff to obtain from the Department of Justice the disposition of these cases that have been referred for criminal prosecution by these years. We ought to be able to receive from the Department the number of cases each year referred to the Department of Justice for criminal prosecutions, and then we should be able to obtain from the Department the disposition by year of those cases, convictions or nolo contendere, or dismissed, and the penalties in the case of those that were convicted."

For your benefit, I am enclosing a copy of these memorandums submitted by Secretary Richardson.* I hope you will prepare the information requested by Senator Miller and return it to the committee so that it can be included in the printed copy of the hearings. As you can imagine, the Congress is pressing toward adjournment, and the family assistance plan looms large in the Senate schedule.

Your prompt attention to this request will be appreciated.

Sincerely,

TOM VAIL.

Enclosure.

DEPARTMENT OF JUSTICE,
 Washington, October 2, 1970.

HON. TOM VAIL,
*Chief Counsel, Committee on Finance,
 U.S. Senate,
 Washington, D.C.*

DEAR MR. VAIL: This will acknowledge your letter dated September 11, 1970, with enclosures, concerning the interest of Senator Jack Miller, a member of the Committee on Finance, in those cases of possible fraud in programs administered by the Department of Health, Education, and Welfare.

Senator Miller has inquired specifically about the number of cases referred by the Department of Health, Education, and Welfare for criminal prosecution and has asked that the Department of Justice furnish the number of such cases referred each year with a report on their final disposition. An examination of the material supplied by the Department of Health, Education, and Welfare reveals that Secretary Richardson's report is concerned generally with cases of both over and underpayments occurring during the year 1966 through 1969. These cases arose under the aid to families with dependent children

*See pp. 700-702 of this volume.

and other adult public assistance programs, irrespective of any fraud potential. It is only the final enclosure which speaks of cases of suspected fraud disposed of either administratively or referred to law officials for action. The latter category totals approximately 7,500 in number and covers only the fiscal year 1969. Those statistics suggest the vast majority of such cases were handled by local rather than Federal law authorities.

Unfortunately our records system is not set up in such a manner that we can readily segregate cases of welfare frauds from the over-all category of fraud against the Government. Ordinarily when a similar request has been addressed to the Department, we have contacted the Federal agency administering the program in which suspected irregularities have occurred. Accordingly, we would suggest that you again contact the Department of Health, Education, and Welfare to determine whether it can supply the further detailed information you desire.

Sincerely,

WILL WILSON,
Assistant Attorney General.

OCTOBER 8, 1970.

HON. JOHN G. VENEMAN,
*Under Secretary,
Department of Health, Education, and Welfare,
Washington, D.C.*

DEAR MR. VENEMAN: I have attached to this letter a copy of a report the committee has just received from Will Wilson, Assistant Attorney General, Criminal Division, Department of Justice, regarding the extent of fraud convictions under the welfare statute.

Mr. Wilson suggests that rather than his agency, the Department of Health, Education, and Welfare is the proper source of information regarding fraud convictions under the welfare statute, inasmuch as the cases are generally prosecuted under State law.

I would appreciate it if you would look into the matter and provide a report to the committee. I know Senator Miller is anxious to know the extent of fraud evidence in the welfare area.

Sincerely,

TOM VAIL.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
SOCIAL AND REHABILITATION SERVICE,
Washington, D.C., October 27, 1970.

HON. TOM VAIL,
*Chief Counsel, Committee on Finance,
U.S. Senate,
Washington, D.C.*

DEAR MR. VAIL: Under Secretary Veneman has asked me to reply to your letter of October 8, 1970, in which you requested information regarding the extent of fraud convictions under the welfare statute. The report of Mr. Will Wilson, Assistant Attorney General, Department of Justice, of October 2, 1970, suggests that this Department might have the information.

Attached is a brief statement of the information we have available on actions by State and local law enforcement officials on cases of suspected fraud for the fiscal years 1966 through 1969. We are attaching also, the reports referred to in this statement.

The reports indicate that State welfare departments are well aware of the adverse impact of allegations of widespread recipient fraud in the public assistance programs, and take reasonable precautions to minimize the opportunity for fraudulent receipt of assistance. When it does occur, States are expected to deal fairly and justly with the recipient in accordance with Federal policy established by a directive of former Secretary Ribicoff.

Additional copies of the published report, *Developments in Dealing With Questions of Recipient Fraud in Public Assistance, 1951-67*, are available. We anticipate publication of the 1968-69 data by December 1, 1970. If you wish further discussion, I will be glad to make arrangements with Mr. John L. Costa, Commissioner, Assistance Payments Administration.

Sincerely yours,

JOHN D. TWINAME, *Administrator.*

Enclosure.

ACTIONS BY STATE AND LOCAL LAW ENFORCEMENT OFFICIALS ON CASES OF SUSPECTED FRAUD BY RECIPIENTS OF ASSISTANCE REFERRED BY STATE PUBLIC WELFARE AGENCIES, FISCAL YEARS 1966-69

Recipient fraud under the federally aided assistance programs, titles I, IV-A, X, XIV, XVI, and XIX of the Social Security Act, which are administered or supervised by State agencies, is defined by State law and subject to determination by State or local judicial authorities. State or local public welfare officials review information on all cases in which there is a question of fraud, decide if agency facts are sufficient to support the question and take action on referral to law enforcement officials. These officials, in turn, are responsible for making the definitive judgment that an allegation of fraud by an applicant or recipient is actionable under law.

State public assistance agencies report annually on the total number of cases in which they have taken administrative action involving questions of recipient fraud. They also obtain information on action by law enforcement officials on cases referred as to whether prosecution is initiated or the cases are disposed of without prosecution. These reports show the following:

	1966	1967	1968	1969
Cases disposed of by law enforcement officials:				
Disposed of without prosecution.....	6,800	6,100	6,900	6,700
Prosecution initiated.....	2,700	2,600	2,700	2,700

Note: Data rounded in accordance with standards established by the National Center for Social Statistics, Social and Rehabilitation Service, HEW.

The number of cases in which prosecution was initiated in each year has represented less than 0.05 percent of the estimated number of fami-

lies and individuals receiving assistance during the year assuming that prosecution was initiated within the year. Although we do not have information on the number, undoubtedly some of those prosecuted were not convicted if the case came to trial. Hence, the number and proportion of assistance recipients found to have committed a fraud on the program would be even smaller than the above figures indicate.

The reasons for disposal of cases, without prosecution, include special hardship, voluntary reimbursement, small amounts, insufficient evidence, or other factors that make prosecution infeasible.

We do not ask States to obtain information on results of prosecution and the penalty if there is conviction on the charge. In a number of States, this would place an undue burden on the welfare agency as well as on the court. Some States, however, do secure information about some of the court actions and comment on their observations in narrative sections of the report. The comments are summarized in the enclosed reports:*

1. *Developments in Dealing With Questions of Fraud in Public Assistance, 1951-1967*, pp. 27-31, "Referral to an Action by Law Enforcement Officials."

2. Draft—*Methods of Dealing With Questions of Recipient Fraud in Public Assistance, 1968-1969*, pp. 18-21, "Referral to and Action by Law Enforcement Officials."

These reports also contain further analyses on administrative and statistical data which may be of interest to the Committee on Finance, U.S. Senate.

* The reports were made a part of the official files of the committee.

APPENDIX G

Excerpt from Hearings on H.R. 17550, the Social Security Amendments of 1970.

(During the hearings questions were raised by Senators Byrd and Talmadge concerning the reconciliation of present and past cost estimates, and other cost data requested by the Committee relating to the administration's welfare bill.)

(EXCHANGE BETWEEN MEMBERS OF THE COMMITTEE DURING THE HEARINGS ON THE SOCIAL SECURITY AMENDMENTS OF 1970, SEPTEMBER 17, 1970, PP. 671-678)

Senator BYRD. Mr. Chairman, I would like to make a brief statement in connection with some information I have tried to obtain on the cost of the administration's welfare proposal. Material prepared by the committee staff showed that the Department of Health, Education, and Welfare had estimated a cost of \$8.2 billion in fiscal year 1971 for the House-passed bill compared with an estimated cost of \$9.1 billion under the administration revision. I assumed that the \$900 million increase in cost related to the many amendments to the bill recommended by the administration. The committee will recall that on July 23—and I cite that date again: July 23—I asked Secretary Richardson for a reconciliation of the cost estimate presented to the House and the new one presented to the committee. Secretary Richardson did not have the answer, but he agreed to supply it to me.

I had not received an answer by the next week. On July 29, I again asked the Secretary for the reconciliation and received a reply to my letter on August 1, but instead of reconciling the estimate associated with the House bill with the estimated cost of the revised administration bill, the material submitted by the Department merely placed the two cost estimates side by side.

I wrote the Secretary on August 12 stating that the reconciliation I had in mind would show the cost of each of the significant amendments to the bill requested by the administration. I sent the Secretary a form with each major amendment listed, and asked him to have the blanks filled in. I have not yet received the material I requested. Now, that was on August 12, Mr. Chairman.

It seems to me, Mr. Chairman, that before the committee can intelligently and responsibly consider the many amendments recommended by the administration, we should have some idea of their cost. It is my hope that the Department of Health, Education, and Welfare will not delay our consideration of the bill by failing to provide us with the hard data we need to make intelligent decisions, and responsible decisions.

I want the record to show that the committee has sought facts and information from the Department which has not yet been supplied.

Mr. Chairman, I ask unanimous consent that there appear at this point in the record excerpts of the hearings on the welfare bill as well as a copy of the letter I sent to Secretary Richardson on August 12.

(The letter follows. The excerpts appear as pages 546, 547, 611-614, 721, and 722 of this volume.)

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C., August 12, 1970.

HON. ELLIOT L. RICHARDSON,
Secretary of the Department of Health, Education, and Welfare, Washington,
D.C.

DEAR MR. SECRETARY: You will recall that on several occasions during your recent appearance before the Committee on Finance, I requested a reconciliation

of the previous \$8.2 billion cost estimate associated with the Family Assistance Act as it passed the House and the \$9.1 billion estimate associated with the revised bill submitted by the Administration.

On August 1, I received from you a letter transmitting material which compared cost estimates associated with the House bill with estimates associated with the Administration's revision. Unfortunately, this material explained only in the most general terms the difference between the two estimates and it failed to show the cost effect of the various modifications in the Administration revision which would either increase or decrease the cost of the bill.

I am enclosing a table which shows what I had in mind as a reconciliation between the cost of the House bill and the cost of the Administration revision. I would appreciate it if you would be so kind as to have the blanks in the form filled out so that I will be in a position to evaluate the many changes you have proposed in the Administration revision.

Sincerely,

HARRY F. BYRD, Jr.

Fiscal
year 1971
(millions)

Estimate presented to House Ways and Means Committee:

Family assistance payments.....	\$3, 800
Federal share of State supplementary payments to families.....	800
Payments to aged, blind, and disabled.....	2, 700
Increased administrative costs.....	300
Increased medical aid costs.....	100
Increased training costs.....	200
Increased child care costs.....	400
Total	8, 200

Increases:

1. Exclusion of income tax payments from consideration as income (sec. 443(a) on p. 9 of revised bill).....
2. Inclusion of children age 21 attending school full time (sec. 445(b)(2) on p. 14 of revised bill).....
3. Prohibition of lien affecting State supplementation of Federal benefits to families (sec. 452(c)(8) on p. 32 of revised bill).....
4. Revised definition of poverty levels (sec. 453(c)(1) on p. 37 of revised bill).....
5. 2-year Federal assumption of full administrative costs prior to actual Federal takeover of administration of State supplementation program (sec. 461(a) on pp. 39-40 of revised bill).....
6. Increase in utilization of food stamps as a result of permitting welfare agency to purchase food stamps on behalf of welfare recipient (sec. 465 on p. 46 of revised bill).....
7. New authority for Federal grants for construction of child care facilities (sec. 436 on p. 56 of revised bill).....
8. Provision of \$30 monthly incentive allowance to persons undergoing rehabilitation (sec. 437(d) on p. 60 of revised bill).....
9. Mandatory disregard of a portion of earnings of aged persons (sec. 1603(a)(5) on p. 87 of revised bill).....
10. New social services title:
 - (a) Basic grants for social services (sec. 2010(a), p. 122).....
 - (b) Grants to assure more equal expenditures among the States (sec. 2010(b), p. 122).....
 - (c) Grants for foster care (sec. 2010(c), pp. 122-123).....
 - (d) Liberalized emergency assistance program (sec. 2010(d), p. 123).....
 - (e) Project grants and contracts (sec. 2008, p. 119).....
 - (f) Grants to Governors and mayors (sec. 2009, p. 120).....
 - (g) Consolidated HEW plans (sec. 2021, p. 129).....
 - (h) Joint funding of interdepartmental programs (sec. 2030, p. 132).....
11. Extension of medical aid to persons age 21 (sec. 434(13) of revised bill, p. 142).....
12. Liberalization of saving provision (sec. 502 of revised bill, pp. 147-150).....

Fiscal
year 1971
(millions)

13. Additional supergrades for Department of Health, Education, and Welfare (sec. 505, pp. 152-153).....	
14. Revision in estimate for payments to families as a result of in- creasing unemployment rate from 3.5 to 5 percent:	
(a) Family assistance payments.....	
(b) Federal share of State supplementation.....	
15. Other revisions in estimate for families eligible for welfare:	
(a) Family assistance payments.....	
(b) Federal share of State supplementation.....	
16. Revision in estimate for aged, blind, and disabled persons eligible for welfare.....	
17. Revision in estimate of medicaid costs.....	
Subtotal, increases.....	

Decreases:

1. Penalty for refusing to work raised from \$300 to \$500 (sec. 447(a) on pp. 20-21 of revised bill).....	
2. Tighter definition of suitable employment (sec. 448(b)(4) on pp. 25-26 of revised bill).....	
3. Persons cut off the State welfare rolls because father is un- employed (sec. 451, p. 27).....	
4. Persons cut off the State welfare rolls when Secretary sets State supplementation amount (sec. 452(a) of revised bill, p. 29).....	
5. Persons having State welfare payment reduced when Secre- tary sets State supplementation amount (sec. 452(a) of revised bill, p. 29).....	
6. Medicaid savings by cutting out families headed by women who receive State supplementary payments but not family assistance payments (sec. 455, pp. 38-39 and sec. 404(21), p. 145).....	
7. Reduction in family planning costs due to deletion of require- ment that family planning services be offered all appropriate welfare recipients (deleted sec. 103(b)(1)(I), p. 65).....	
8. Limit work expenses for the aged, blind, and disabled to those related to their age, blindness, or disability (sec. 1603(a), p. 85).....	
Subtotal, decreases.....	

Total, revised estimate..... 9,100

The CHAIRMAN. May I say that I think every member of this committee would like to have this information. It is rather difficult to vote on something not knowing whether it is going to cost \$4, \$6, \$10, or \$12 billion.

Now, the Senator from Virginia is a little more straitlaced about insisting upon knowing what something is going to cost than some other members of the committee. But, I must say that when the costs can vary by more than \$1 billion, people who expect us to be responsible might hold us to account if we repeated the kind of fiasco that occurred on the medicaid when we were told the program was going to cost about a quarter of a billion dollars, and it ends up costing \$3 billion. If this program should wind up costing ten times as much as its advocates project—and that is not at all beyond the realm of possibility—I just wonder how long people can expect to be elected to office or to stay in power if they are with the administration, if they continue to come up with programs that have completely irresponsible cost estimates, without even a late revision to show

the increase in costs of the administration's own request. That will be in the record.

Senator TALMADGE. Mr. Chairman, may I make an observation?

The CHAIRMAN. The Senator from Georgia.

Senator TALMADGE. The cost of this program has concerned me greatly since it was first presented to this committee.

When former Secretary Finch appeared here before the committee in April, I asked him how the administration intended to finance the \$4 billion-plus cost of the bill. He answered:

Well, the Bureau of the Budget has built in these costs and all of their projections obviously were trading off with other programs. We have regarded the social implications of this as important enough to make those tradeoffs within our present projections.

Though he talked about tradeoffs, former Secretary Finch did not identify all of the programs the administration plans to cut to pay for the welfare expansion bill.

On May 18 I wrote Secretary Finch asking him precisely what programs would be cut back. I never received an answer.

When Secretary Richardson appeared before the committee I asked him the same question. He replied at great length but did not answer the question. I then asked that Budget Director Schultz appear before the committee so that he could answer my question. He refused to appear.

Our budgetary situation is deteriorating. Few persons expect a budget deficit of less than \$10 billion and some persons predict a deficit of twice that amount. The President has apparently recognized the seriousness of the situation since he has vetoed two spending bills plus a hospital construction bill within the last few months. I believe the Finance Committee is entitled to know how the administration intends to finance this \$4 billion-plus welfare expansion bill before we proceed to act on it.

The CHAIRMAN. Well, Senator, I hope to get you that answer. I regret the information is not available. But in my efforts to try to find out, they indicate that the plan is to start with this bill first—this \$4 billion at the bottom—and then to add interest on the national debt next, and then to build up from there and see where we come out.

Now, that is the best information I can obtain up to this point. I promise the Senator I will cooperate in helping to obtain that information.

Senator TALMADGE. I thank the distinguished chairman.

The CHAIRMAN. Obviously, a lot of programs have to go out for that \$4 billion, if we have any hope for a balanced budget.

EXCHANGE OF CORRESPONDENCE SUBSEQUENT TO THE ABOVE DISCUSSION

SEPTEMBER 22, 1970.

HON. ELLIOT L. RICHARDSON,

Secretary, Department of Health, Education, and Welfare, Washington, D.C.

DEAR MR. SECRETARY: Last Thursday while the committee was holding hearings on the proposed Social Security Amendments of 1970, two Senators on the committee complained of the continuing difficulty they have experienced in getting information relating to the cost and financing of the administration's welfare bill.

Senator Byrd stated that he had not received information he sought, reconciling estimates of the cost of the House-passed welfare bill with the cost estimates related to the revised administration bill. Senator Talmadge noted again that he had not received an answer to his inquiry about the financing of the welfare bill, either through tax increases or expenditure reductions in other programs.

At the hearings, I pledged my cooperation in an effort to get the information from you so that our actions on welfare legislation would not be delayed by lack of information from your Department. I would urge you to provide this information to the committee as soon as possible.

I am enclosing for your information a copy of the transcript pages in which Senator Byrd's and Senator Talmadge's comments appear.*

With every good wish, I am,

Sincerely,

RUSSELL B. LONG, *Chairman.*

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C.

Senator RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I very much appreciate your letter of September 22, 1970, calling my attention to the complaints of Senators Byrd and Talmadge that they are experiencing difficulty getting information related to the costs and financing of the administration's proposed welfare reform bill. I understand fully their desire to have the best available information so that they can come to a carefully reasoned conclusion about this important legislation.

I have enclosed for your information, Mr. Chairman, a copy of a letter I mailed to Senator Talmadge on September 14 responding to some of his concerns. I have enclosed also a letter I sent to Senator Byrd and the memorandum which accompanied that letter. A later letter from Senator Byrd requested additional information, and today I have mailed a response to the Senator, a copy of which I have attached to this letter. Because of your position as chairman, and because of the nature of the inquiry, I don't think I am violating any confidences by providing you with these materials.

Mr. Chairman, I sincerely appreciate your advising me of this matter and hope we have answered the questions to the satisfaction of your colleagues. As I have said on a number of occasions, I intend to have the Department respond as quickly and fully as possible to requests from committee members and their staffs.

If further information is necessary, please do not hesitate to call upon me.

Sincerely,

ELLIOT RICHARDSON, *Secretary.*

Enclosures.

* Pages 546, 547, 611-614, 721, and 722 of this volume.

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C.

HON. HARRY F. BYRD, JR.,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: This is in response to your request for additional information regarding the cost estimates of the Family Assistance Act. The figures that you requested have, whenever possible, been supplied. You will notice that a number of the items that you had originally included on your list have a small cost significance or are noncost items. These are listed separately with an item by item explanation of why their cost impact is negligible.

It is regrettable that such confusion has existed about the costs of the President's welfare proposals. I believe that the estimates themselves are as good as can be prepared with our existing knowledge and information. My own view, which, you will recall, I tried to explain during the hearings, is that they are conservative estimates and may actually overstate the costs of family assistance. As you know, not all of those presently eligible for AFDC are receiving assistance, and it is very doubtful that 100 percent of the population eligible under the family assistance plan will participate in that program. Our cost estimates, however, are based on 100-percent participation.

The President has shared your September 14 note to him with me, and I am pleased that you enjoyed your brief visit to California. You will recall, I am sure, that my previous correspondence with you included an attempt to explain the costs of FAP, including training and food stamps. The figures I cited are not, in my opinion, comparable to calculations of Federal expenditures for welfare which do not include food stamps or training programs. Also, I will not burden you with a repetition of my explanation of the relationship between the 10 million persons currently receiving public assistance and the number of people who would receive some Federal assistance under FAP. It is important, however, to realize that 15 percent of families eligible for FAP benefits will be eligible for less than \$300 per year. The rising caseload under current AFDC law projected to 1976 is, I think, one of the strongest arguments for enactment of the family assistance plan this year.

I look forward to working with you and your colleagues during the next several weeks as we try to enact new, improved legislation to reform the current welfare system.

Sincerely,

ELLIOT RICHARDSON, *Secretary.*

Enclosures.

Reconciliation of cost estimates

Estimate provided to the House Ways and Means Committee:	<i>Billions</i>
Plus increases:	\$8.20
1. Exclusion of income tax payments from consideration as income (sec. 443(a) on p. 9 of revised bill)-----	.06
2. Inclusion of children age 21 attending school full-time (sec. 445(b) (2) on p. 14 of revised bill)-----	.02
6. Increase in utilization of food stamps as a result of permitting welfare agency to purchase food stamps on behalf of welfare recipient (sec. 465 on p. 46 of revised bill)-----	.40
9. Mandatory disregard of a portion of earnings of aged persons (sec. 1603(a) (5) on p. 87 of revised bill)-----	.02
14. Revision in estimate for payments to families as a result of increasing unemployment rate from 3.5 to 5 percent: (a) Family assistance payments-----	.10
15. Other revisions in estimate for families eligible for welfare: (a) Family assistance payments-----	.27
(b) Federal share of State supplementation-----	-----
16. Revision in estimate for aged, blind, and disabled persons eligible for welfare-----	.09
17. Revisions in estimates of Medicaid costs**-----	-----
Subtotal, increases-----	9.16
Minus decreases:	
3, 4, and 5 impact of changes in sections 451 and 542 effecting unemployed father families and the computation of State supplementation-----	.06
Total, revised estimate-----	9.10

*These estimates include the total cost of maintenance payments, but only the additional costs of such things as training and day care.

**The estimate provided to the House Ways and Means Committee and the revised estimates do not include Medicaid costs.

ITEMS WITH LITTLE OR NO COST IMPACT**INCREASES**

3. Prohibition of lien affecting State supplementation of Federal benefits to families (sec. 452(c) (8) on p. 32 of revised bill.)

This subsection provides clarifying language for what had been the initial intent of the Administration. It therefore does not effect the estimates of costs.

4. Revised definition of poverty levels (sec. 453(c) (1) on p. 37 of revised bill).

The cost impacts associated with this change are negligible for several reasons: (1) the change means that the poverty level is raised for certain family sizes but lowered for others—changes which are likely to be offsetting; (2) it is only relevant in the few States that have payments at or above the poverty level; and (3) it applies to the 30 percent matching.

5. Two-year Federal assumption of full administrative costs prior to actual Federal takeover of administration of State supplementation program (sec. 461(a) on p. 39-40 of revised bill).

The original estimated cost of administration included the cost of Federal administration of supplemental programs at Federal expense. This provision

permits State administration at Federal expense (under certain and temporary conditions) and does not increase costs.

7. New authority for Federal grants for construction of child care facilities (sec. 436 on p. 56 of revised bill).

This provision was inserted to provide flexibility so that grants for construction of child care facilities could be used if the necessary child care slots could not be achieved in any other way. The Administration does not plan to ask for additional child care funds beyond the \$386 million that it has said it would need.

8. Provision of \$30 monthly incentive allowance to persons undergoing rehabilitation (sec. 437(d) on p. 60 of revised bill).

There is no additional cost associated with this item since the Administration proposes to obtain the necessary funds either from the additional manpower funds it has already indicated it will need or from funds that would otherwise be made available for vocational rehabilitation agencies.

10. New social service title: The Federal costs of social services and the impact that the proposed title XX would have on them were and are not included in the estimates of the family assistance costs.

11. Extension of medicaid to persons age 21 (sec. 404(13) of revised bill, p. 142).

This provision makes the eligibility for medicare of students aged 21 consistent with their eligibility for family assistance and/or State supplementation. The cost is negligible since few individuals are involved and they are often in educational institutions with subsidized health care.

12. Liberalization of saving provision (sec. 502 of revised bill, pp. 147-150).

The change in this provision would have little or no effect the first year of program operation.

13. Additional supergrades for Department of Health, Education, and Welfare (sec. 403, pp. 152 and 153).

This section provides only statutory authority for supergrades. The salary and other personnel costs for family assistance are included in the cost of administration.

14. Revision in estimate for payments to families as a result of increasing unemployment rate from 3.5 to 5 percent: Federal share of State supplementation.

Estimates of supplemental payments are based in part on the most recent State projections which presumably include factors allowing for changes in unemployment.

DECREASE

1. Penalty for refusing to work raised from \$300 to \$500 (sec. 447(a) on pp. 20-21 of revised bill).

The cost estimates do not include any savings in costs due to the penalty for refusing work, since it is felt that the vast majority of recipients will comply.

2. Tighter definition of suitable employment (sec. 448(b)(4) on pp. 25-26 of revised bill).

The impact of the work and training provisions has not been factored into the cost estimates.

6. Medicaid savings by cutting out families headed by women who receive State supplementary payments but not family assistance payments (sec. 455, pp. 38-39 and sec. 404(21), p. 145).

These families will be eligible for medicaid.

7. Reduction in family planning costs due to deletion of requirement that family planning services be offered all appropriate welfare recipients (deleted sec. 103(b)(1)(I), p. 65).

The costs of social services and changes in social service programs have not been included in the costs of the family assistance proposals.

8. Limit work expenses for the aged, blind, and disabled to those related to their age, blindness, or disability (sec. 1603(a), p. 85).

Since so few persons in the adult categories are working and have regular work expenses, the financial impact of this provision is negligible.

SEPTEMBER 14, 1970.

HON. HERMAN E. TALMADGE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR TALMADGE: Although I did discuss the question of financing the administration's family assistance plan before the Senate Finance Committee, it has been brought to my attention that your May 18, 1970, letter to former Secretary Finch on this subject has not been formally acknowledged. I apologize for this delay.

As you know, the administration on June 11, 1970, submitted to the Committee on Finance new and more detailed cost estimates that reflected both updated projections of Federal costs of maintenance payments under the family assistance plan and adjustment of estimates to provide for the increased level of unemployment. These changes are set forth in detail in the June 1970 committee print on H.R. 16311 and responds fully, I believe, to your two concerns relative to unemployment level and updating of estimates.

Regarding your request for a detailed list of programs that might be eliminated or reduced in order to provide funds for the family assistance plan, former Secretary Finch and I both testified before the committee that the budget must be considered as an entity which results from the inclusion of all the revenues available to Government and all the claims we decide to honor against those resources. Put another way, the level of the aggregate budget surplus or deficit is the result of decisions made independently of the requirements for particular programs.

If the expected budget surplus or deficit is inappropriate to the economic conditions of the time, adjustments must be made in taxes or the expenditure requirements of the Government. The administration has taken the position—which most Americans share—that the Federal budget for fiscal year 1972 will be fiscally responsible and can be financed without any tax increase.

In any effort to trim back Government programs to reach a necessary balance with revenues, other programs, of course, would be affected. This is the nature of the difficult process of shifting priorities. It means that high-priority programs will gain, while lower priority endeavors may suffer losses—some of them long overdue.

We are convinced that the family assistance plan represents an essential step forward in reforming our crumbling welfare system. As such, it deserves a high-priority claim against national resources. With growth in the economy and the exercise of stringent priorities, we are confident that family assistance can be financed in a fiscally responsible manner—and without any tax increases.

Sincerely,

ELLIOT L. RICHARDSON, *Secretary.*

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