

**NOMINATIONS OF JOSEPH A. CALIFANO, JR.
AND LAWRENCE N. WOODWORTH**

**HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE**

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

**THE NOMINATIONS OF
JOSEPH A. CALIFANO, JR., SECRETARY-DESIGNATE OF THE
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
AND LAWRENCE N. WOODWORTH, AN ASSISTANT SEC-
RETARY-DESIGNATE OF THE TREASURY**

JANUARY 18, 1977

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III

NOMINATIONS OF JOSEPH A. CALIFANO, JR. AND LAURENCE N. WOODWORTH

THURSDAY, JANUARY 13, 1977

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

The committee met, pursuant to notice, at 10 a.m. in room 2221, Dirksen Senate Office Building, Hon. Russell B. Long (chairman of the committee) presiding.

Present: Senators Long, Ribicoff, Harry F. Byrd, Jr., Gravel, Bentsen, Hathaway, Zorinsky, Curtis, Hansen, Dole, Packwood, and Schmitt.

The CHAIRMAN. This committee will come to order.

Today we have the privilege of hearing the statement from the Honorable Joseph A. Califano, Jr., the man President-elect Carter intends to nominate for Secretary of Health, Education, and Welfare. At the conclusion of his statement, we will be privileged to ask him such questions as the committee would like to look into, and I will urge each Senator to limit himself to 5 minutes on the first round of questions and have 10 minutes on the second round. We will use the early bird rule when we get around to calling the Senators.

Mr. Califano, we are very happy to have you before the Finance Committee. You are no stranger to any of us here. We look upon you as an old friend, and we wish you the very best in your endeavor.

We will be pleased to hear your statement.

STATEMENT OF JOSEPH CALIFANO, JR.

Mr. CALIFANO. Mr. Chairman, thank you very much. I appreciate those remarks.

It is a privilege to be nominated by President-elect Carter to be Secretary of Health, Education, and Welfare and to appear before this committee to be considered for confirmation by the Senate. Over the course of my career, I have had the good fortune of working with many members of this committee—and with you, Mr. Chairman, during the Johnson administration—and I look forward to the opportunity of strengthening that relationship in the future.

The one thing I learned in those years, in my prior service in Government, is that there is a great deal of wisdom in the Congress and in the Senate.

I would like briefly to discuss the manner in which I intend to deal with possible conflicts of interests. Most of the work of my law firm, Williams, Connolly & Califano, involves litigation in the courts and is a matter of public record. The bulk of my own personal practice has involved constitutional litigation and the representation of organizations and individuals in matters relating to the first amendment.

My firm and I also have represented some corporations on matters in which the Department of Health, Education, and Welfare has a significant interest.

In an attempt to eliminate conflicts of interest and the appearance of such conflicts, I have taken, or will take, the following steps:

First, I have complied with the detailed rules for full disclosure of personal and financial data that President-elect Carter has established. In addition, I am transferring all of my investment securities to a blind trust under arrangements which will insulate me from any knowledge of such holdings during my tenure as Secretary of Health, Education, and Welfare. I have furnished this committee with a statement of my net worth and assets and a copy of the blind trust agreement.

Second, I will terminate my relationship with my law firm prior to January 20, 1977, and I will have no further financial interest in or arrangements with that firm after the termination.

Third, if I am confirmed as Secretary of Health, Education, and Welfare, I will not participate in any matter in which my former law firm represents a party before the Department of Health, Education, and Welfare.

Fourth, I have reviewed my activities and those of my law firm on behalf of clients and have identified those specific instances when my firm provided legal services to a party in a matter in which the Department of Health, Education, and Welfare had a substantial interest. While I am Secretary, I will not in any way participate in these matters. For the committee's information, I am attaching a list of these matters which I incorporate as part of my statement.

Finally, let me assure the committee that I will do my utmost at all times to insure that all of my decisions and those of the Department of Health, Education, and Welfare are made only in the best interests of the people of the United States. The opportunity to lead this Department is the opportunity to help to do the noblest work of a civilized nation—to help educate the young, to help improve the health of our citizens, and to help provide the income security to enable the old, and the poor, and the disabled to live their lives in human dignity and with peace of mind.

[Attachments to the statement of Joseph A. Califano, Jr. and biographical data follow:]

BIOGRAPHICAL DATA OF JOSEPH A. CALIFANO, JR.

Mr. Califano was born in Brooklyn, New York, on May 15, 1931. He attended St. Gregory's Elementary School and Brooklyn Preparatory School in Brooklyn, New York.

Mr. Califano received his Bachelor of Arts degree from Holy Cross College in Worcester, Massachusetts in 1952 and his LL.B., magna cum laude, from Harvard Law School in 1955. In Law School, he was the editor of the Harvard Law Review.

In 1955, Mr. Callfano enlisted in the Navy as an officer candidate. He was commissioned an ensign in November 1955, served three years in the Office of the Judge Advocate General in Washington, D.C., and was released to inactive duty in October 1958 as a lieutenant. In October 1958, he associated with the law firm of Dewey, Ballantine, Bushby, Palmer & Wood in New York City until April 1961.

In April 1961, Mr. Callfano became Special Assistant to the General Counsel of the Department of Defense. In July 1962, he was appointed Special Assistant to the Secretary of the Army. On July 1, 1963, he was appointed General Counsel of the Department of the Army. While General Counsel of the Army, he also served as Special Assistant to the Secretary of the Army for Civil Functions, supervising the Corps of Engineers' \$1 billion Civil Works Program. As such, he served as a member of the President's Appalachian Regional Commission.

In early 1964, Mr. Callfano was selected to serve as the principal legal advisor to the United States Delegation Investigating Committee of the Organization of American States on the Panama riots of January 1964. Subsequently, he was also selected to present the United States case before the International Commission of Jurists during hearings held in Panama dealing with those riots.

In recognition of his work as General Counsel of the Department of the Army, Mr. Callfano was awarded the Distinguished Civilian Service Medal, the highest civilian award of the Army.

On April 1, 1964, Mr. Callfano was appointed Special Assistant to the Secretary and Deputy Secretary of Defense. He had special responsibilities for Department of Defense liaison with the Office of the President of the United States. He also acted as Executive Secretary of the President's Advisory Committee on Supersonic Transport, as the Department of Defense representative on the President's Committee on the Economic Impact of Defense and Disarmament and as a member of the Federal Radiation Council.

In recognition of his work as the Special Assistant to the Secretary and Deputy Secretary of Defense, Mr. Callfano was awarded the Distinguished Service Medal of the Department of Defense.

Mr. Callfano was appointed Special Assistant to President Lyndon B. Johnson on July 26, 1965. In this position, Mr. Callfano was charged with developing the President's legislative program and coordinating its preparation and presentation to the Congress, as well as helping coordinate economic policies. He also worked on a variety of domestic problems, including the Northeast power failure, the water drought in the Northeast, labor-management relations, balance of payments and urban issues. He served in this position until January 20, 1969.

In early 1969, Mr. Callfano traveled around the world on a study of the "student-youth-and-establishment" problem under a Ford Foundation grant. Mr. Callfano wrote about those travels in his book, entitled *The Student Revolution: A Global Confrontation*, published by W. W. Norton in November 1969. His second book, *A Presidential Nation*, was published by W. W. Norton in September 1975. His third book, *The Media and the Law*, was published by Praeger Special Studies early in 1976 and was co-authored and co-edited with Mr. Howard Simons, managing editor of the Washington Post. Mr. Callfano has also written articles for the New York Times, The Washington Post, the New Republic and other publications.

Mr. Callfano was a member of the Washington Law firm of Arnold and Porter from March 1969 until May 1971. Since June 1971 Mr. Callfano has been a member of the Washington law firm of Williams, Connolly & Callfano.

Mr. Callfano is admitted to practice before the Supreme Court of the United States and is a member of the Bars of the State of New York and the District of Columbia. He is a member of the American Bar Association, the Federal Bar Association, the Bar Association of the City of New York and the American Judicature Society.

Mr. Callfano is a Democrat and served from 1969 to 1971 as Co-Chairman of the Committee on National Priorities of the Democratic Policy Council, from March 1971 until August 1972 as General Counsel to the Democratic National Committee and from 1972 to 1974 as a member of the Democratic Party's National Charter Commission.

Mr. Callfano is married to the former Trudy Zawacki of Taunton, Massachusetts. Mr. and Mrs. Callfano have two sons, Mark Gerard, 14, and Joseph A., III, 13, and a daughter Claudia Frances, 6.

January 13, 1977.

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**CLIENT MATTERS OF WILLIAMS, CONNOLLY & CALIFANO RELATING TO THE
DEPARTMENT OF HEALTH, EDUCATION AND WELFARE**

1. Representation of The Coca-Cola Company with respect to S. 641 (94th Cong., 2d Sess.), "The Consumer Food Act of 1975," for the purposes of continuing the exemption in the Federal Food, Drug and Cosmetic Act that allows spices and flavorings to be listed on food labels without naming each specific spice and flavor ingredient so as to protect the Coca-Cola trade secret formula.

2. Representation of The Coca-Cola Company before the Food and Drug Administration in 1971 in order to permit the listing of caffeine in soft drink product labels.

3. Representation of Pfizer Inc. in 1974 in connection with proposed prescription drug reimbursement mechanisms for Medicare and other health programs under the Department's Maximum Allowable Cost (MAC) regulations, 45 C.F.R. §§ 19.1-19.6.

4. Representation of Pfizer Inc. in that firm's 1974 appearance before the Subcommittee on Health of the Senate Committee on Labor and Public Welfare, in hearings relating to proposed legislation to regulate pharmaceutical promotion activities.

NOTE.—Williams, Connolly & Califano was also counsel to Pfizer when Pfizer (like many other pharmaceutical companies) responded to specific requests for information from the Senate Health Subcommittee in connection with the Subcommittee's continuing study of the quality of health care. I do not intend to disqualify myself in the subject areas in which the only action of my law firm was the gathering and submission of information to the Health Subcommittee.

5. Advising Pfizer Inc. in 1975-76 with respect to the Department of Justice's civil antitrust suit relating to tetracycline.

6. Representation of Michigan Chemical Corporation in Food and Drug Administration proceedings during 1975-76 relating to food contamination in the State of Michigan caused by polybrominated biphenyl (PBB).

7. Advising Velsicol Chemical Corporation in connection with the present NIOSH study regarding the health of workers formerly engaged in the production of the pesticide leptofox.

Mr. CALIFANO. I particularly look forward, Mr. Chairman, to working with you and your committee, for which I have the greatest respect for it as an institution and for you as a person. Thank you, sir.

The CHAIRMAN. Thank you very much, Mr. Califano.

In view of the fact that I was the first one here, I will ask the first question.

I believe that we have worked enough in this vineyard of trying to help disadvantaged people so that by now we should know that we do someone a far greater favor to give him an opportunity to do something useful for society in return for adequate compensation, or even in some cases compensation that may overpay that person for his contribution, rather than the demoralizing alternative of simply paying a person to sit idly doing nothing. People deteriorate when they have nothing to do.

I would hope that the experience that you have observed and participated in through the years now would have convinced you that just paying people money for doing nothing is a very inadequate answer to a problem. If you can find something useful that you can put those people to doing, marginal though it may be, it is worth while.

Mr. CALIFANO. Mr. Chairman, I believe that individuals in this Nation who are capable of working should be working in order to support themselves. I also believe that any individuals in this Nation who need essentially the kinds of things that you or I might have gotten from our parents or our family, education, job training, some opportunities, should be given those opportunities, if necessary, by the

national Government and HEW programs, if they are not otherwise available.

Third, I think we all recognize that there are a large number of people in our society, the totally disabled, the blind, the children who are on the welfare rolls, who any compassionate society should take care of. These vulnerable people, I believe, constitute the overwhelming percentage of the people on welfare.

It is our function to treat them with compassion and decency. I know you share this view.

The CHAIRMAN. Thank you very much, Mr. Califano. Senator Packwood?

Senator PACKWOOD. Mr. Califano, you know I have some strong feelings about abortion. I would like to ask you some questions in that capacity.

First, what is your personal view on abortion?

Mr. CALIFANO. Senator, I think that the abortion issue is a difficult issue. It is a highly charged issue. There are people with some very strong views on all sides of this issue.

I understand the positions taken on this issue by various groups. I understand the depth and the strength with which they hold those views. I myself have thought a great deal about this issue. I thought about this issue during the campaign, and I thought about it before I was even interviewed by Governor Carter.

Governor Carter and I come from quite different religious, cultural and social backgrounds, yet our views on this subject are identical. My views are as follows:

First, I personally believe that abortion is wrong.

Second, I believe that Federal funds should not be used for the purpose of providing abortions.

Third, I believe that it is imperative that the alternatives available to abortion be made available as widely as possible. Those alternatives include everything from foster care to day care, family planning programs to sex education, and especially measures to reduce teenage pregnancies.

Finally, we live in a democratic society where every citizen is free to make his views known—to the Congress or to the courts. If the courts decide that there is a constitutional right in this country to have an abortion with Federal funds, I will enforce that court order. If the Congress changes its mind and amends the statute which it has passed, or passes other laws which direct that funds be provided for abortion, I will enforce those laws. I will enforce those laws as vigorously as I intend to enforce the other laws that I am charged with enforcing if I am confirmed, including laws against discrimination, against women on the basis of sex in title IX, the title VI laws.

I also think that the Congress, as it looks at this issue, should provide more generously for the alternatives to abortion, as Governor Carter urged in the campaign.

Senator PACKWOOD. You are opposed, and would be opposed, to Federal funds for abortions under any circumstances?

Mr. CALIFANO. I do not know what you mean under any circumstances. Do you mean in programs like the medicaid program, or as Governor Carter has said, in any proposed national health insurance plan?

Senator **PACKWOOD**. Abortion under any circumstances, if the life of the woman is jeopardized, if the fetus is carrying a genetic disease, you are still opposed to abortion for those reasons?

Mr. **CALIFANO**. Senator, I think these are difficult questions. Where you have a conflict, as you often do over many of these difficult ethical and moral issues, a conflict in terms of viability of life of the fetus and the viability of the life of a woman, obviously judgments have to be made.

If the fetus is endangering the life of a woman, I think that it is a fair, decent, correct judgment that the woman's life should be preserved.

Senator **PACKWOOD**. That is fine. That is not as far as I would like to go, but at least you are not opposed to abortion in all circumstances.

What I am really interested in, Mr. Califano, what I would hope, is that your feelings as a person would not interfere with the law, the enforcement of the laws.

I will ask you one specific question.

Mr. **CALIFANO**. I think I made that clear in response to your question.

Senator **PACKWOOD**. You are a good enough lawyer, you are an able enough man. I hope that you will not let your personal views interfere. Even if the Hyde amendment, which prohibits the use of money in the Labor-HEW appropriations bill for abortions, and is now being challenged in the courts, is stated as constitutional by the Supreme Court, it is only a 1-year appropriation, and runs out at the end of this year.

What would your recommendation be as far as authorizing similar types of amendments to appropriation legislation next year?

Mr. **CALIFANO**. Is the Hyde amendment the amendment that prohibits the use of medicaid funds for abortion?

Senator **PACKWOOD**. That is correct.

Mr. **CALIFANO**. My view would be exactly what Governor Carter's would be, a view which he repeatedly stated during the campaign. We would recommend that Federal funds not be used to provide abortions.

Senator **PACKWOOD**. In the medicaid or any other federally funded program?

Mr. **CALIFANO**. That is correct.

Senator **PACKWOOD**. I will come back to the others later. Thank you.

The **CHAIRMAN**. Senator Byrd?

Senator **BYRD**. Thank you, Mr. Chairman.

Welcome Mr. Califano.

Mr. **CALIFANO**. Thank you, Senator.

Senator **BYRD**. Governor Carter's campaign commitment to bring the Federal budget into balance is one that I support. As head of the Department whose spending accounts for a very high percentage of the total Federal outlays, what do you propose to do about controlling the growth of Federal spending in your Department?

Mr. **CALIFANO**. Senator, I suppose I would have to answer that question on two levels. I do hope to make that Department more efficient and responsive—I mean more efficient economically. I hope to be able to serve more people for the dollars spent, and serve them more effectively.

Secondly, at the same time, I believe that there are many programs in that Department which, as soon as resources are available, have an

urgent and high call on the resources of our Nation in the education area, health area, and other areas.

I would be less than candid with you if I did not indicate that I think, consistent with Governor Carter's other goals, that it is imperative that this Nation commit itself to deal with some of those difficult problems, providing assistance to urban and rural school systems, providing a better quality of health care to many of our citizens, and providing the training and rehabilitation that the Congress has charged the Department to provide for handicapped citizens.

Senator BYRD. Do you feel, as many persons do, that the Department has gotten too large and too unwieldy?

Mr. CALIFANO. Senator, again, my own judgment is that the Department is not unmanageable. I believe the Department can be managed. I believe that one of the essential ingredients of trying to manage the Department is to give those charged with performing that function enough discretion and leeway to move many of the categorical programs together to get them operated and executed jointly in closer coordination with one another.

I will do my best, as Governor Carter will, to attract the finest people we can to that Department to try to do the job. I am not prepared to say that the Department is unmanageable.

Senator BYRD. One of your predecessors, Secretary Weinberger, stated in a speech just before he left office that if we simply continue spending at our current rate for social programs, 50 percent of the American people will be supporting the other 50 percent by the year 2000.

Now, there again I, somewhat similar to the first question, I suppose, I would like to know whether you have any current plans for dealing with these escalating costs?

Mr. CALIFANO. As far as Secretary Weinberger's statement is concerned, I believe, first, he picked the year 2000 in which we will have a serious change in our demographic situation. A large part of the cost that Secretary Weinberger is talking about in those numbers is the cost of the taking care of the old people in our country—providing social security for those who are over 65—when we will have a much larger population living much longer and when we will have a much smaller, relatively speaking, wage group.

I think therefore that when we talk about 50 percent supporting the other 50 percent, we have to recognize what is involved in that number.

As far as dealing with these escalating costs, most of these escalating costs in the Department in the last 8 years have been related to inflationary problems, not to any significant increases in programs. I think that the Congress has been very cautious and careful and meticulous in not appropriating an excess of money for those programs.

Senator BYRD. My time has expired. Thank you.

The CHAIRMAN. Senator Hansen?

Senator HANSEN. I, too, have some questions about abortion, but inasmuch as Senator Packwood has very ably launched that series of questions, I will defer to him.

Let me turn, then, to another concern that I have.

I have been convinced for a long time that young people lack any real work-related experience. I am also convinced that some of the

laws we have still on the books are archaic and make it extremely difficult for young people to find an opportunity to do something that is meaningful and that gives them the opportunity to express a manifestation of their adulthood. Do you share that view, generally speaking?

Mr. CALIFANO. I think we can do much better in terms of providing work-related experiences to young people. While I am not sure how these programs were developed, I remember I was one that strongly urged in the the 1960's that we provide these programs that combine both education and work at the same time. I think those programs are very important.

Senator HANSEN. Do you think it would be worthwhile, to examine laws such as minimum wage laws, laws against employing people below a certain age in certain kinds of activities and laws that deal with the hours during which a person may be employed, not with the idea of trying to bring about any basic changes in those laws, but recognizing that they may be impediments in providing young people a chance for a work opportunity? Will you consider what might be done in the short term in order that young people can have a chance to learn something about work and in so doing, make them employable citizens?

My feeling is that by virtue of some of our laws people with few merchantable skills are denied an opportunity to have the kind of experience that makes them employable. I would inquire about your feeling, if you think that this is a basic impediment toward solving the problems of unemployment in the 16 to 24 age group. I understand they constitute about one-fourth of the work force, yet over one-half of the unemployed in the country are in that group.

Along with the other things I mentioned, I would also include unemployment compensation. As you know, it is possible now to receive up to 65 weeks of unemployment compensation in certain instances.

Would you be willing to look at all of these laws to see what might be done in order to broaden the opportunities for people presently unemployed to find worthwhile jobs in the private sector?

Mr. CALIFANO. Senator, I would be willing to look at them. A lot of people, obviously, are taking another look at laws like that, including George Meany who indicated a few weeks ago the AFL's concern with some of those problems.

I think that we must look at them with particular focus on what seems to me to be an absolutely intolerable situation of having 40-percent unemployment among black youths in our major cities. I think that it is a shameful thing for this country that that situation exists, and has existed for so long.

Senator HANSEN. Having focused in on that program, I can share your deep concern. Would you think that there might be opportunities from within the cities of America to provide a chance for those people where they live? I think the idea of some of the conservation programs that we talked about have merit. The only trouble is, they are not going to touch nearly enough people.

If there were chances in the cities of America for young people there to work where they live, I think that we would be striking a point where we might do something about it.

Mr. CALIFANO. That is one of the things that we should do. Obviously in some places—I happened to drive through the Bedford-

Stuyvesant section of Brooklyn to visit some relatives in August—there are blocks where I do not think anyone should live.

I do not think it is enough to provide work for people where they live, when they are living amidst conditions that exist in our cities today. We also have to give them opportunities to live elsewhere and work elsewhere and be trained to do that.

Senator HANSEN. My time has expired.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Bentsen?

Senator BENTSEN. Thank you very much, Mr. Chairman.

I am very pleased to see Mr. Califano here. I have known Mr. Califano for many years and have a great respect for his ability, intelligence, integrity, and judgment, until he took this job. It is a horrendous responsibility. I wish you well in it.

Mr. CALIFANO. Thank you very much.

Senator BENTSEN. About 4 years ago we gave authority to HEW to carry out some studies and some research of the administration of the medicare and medicaid programs. Thus far, we have had no definitive results from that study.

One of those studies concerned reimbursement by the Federal Government for services at outpatient centers. I am particularly interested in seeing that kind of reimbursement under medicare for our aged people.

Too many times, the aged and the chronically ill are committed to institutions. Some of them are committed there to die. It is my belief that many of those services could be handled in a more compassionate way and at a much less expensive rate for the taxpayers, because of the great cost of institutional care, by outpatient service reimbursement.

Do you have any feelings concerning that.

Mr. CALIFANO. Senator, I guess I would answer on two levels. In some of the briefings I have had, concern has been expressed that some of the pressures for medicare and medicaid are for hospital treatment, even when unnecessary.

Even more importantly, I would note, as Governor Carter indicated during the campaign, the family is the most precious unit of our society. One of the things that may be discouraging the extended family may be the fact that we do not have an adequate system under which the elderly can be taken care of in individual homes and instead have to go to institutions, which can be cold and very sad.

I would think that one of the objectives of the Carter administration would be to look at that issue that you raise and also look at its impact on the American family.

Senator BENTSEN. Mr. Califano, another concern of all people is the social security system. Part of it comes about under double indexing in the present formula.

Last year, I introduced legislation with a new formula that would have the advantage of correlating the income to be received to payments earned for future retirees on the same basis that it is for present retirees.

Do you have any plans concerning changing the formula and taking care of the deficit that is now developing in the social security system?

Mr. CALIFANO. Senator, that is one of the first things that we will look at. We will absolutely guarantee the financial integrity and viability of the social security system and recommend whatever steps are necessary to make sure of that.

Yes, we will be looking at the question you raised on a prompt basis, as I have discussed with Chairman Long during my courtesy call. We will be working with you, your staff, and the staff of this committee, to come up with proposals in that area as promptly as possible.

Senator BENTSEN. Thank you very much, Mr. Chairman.

The CHAIRMAN. Senator Schmitt?

Senator SCHMITT. Mr. Califano, welcome to Washington again.

Mr. CALIFANO. Thank you, Senator.

Senator SCHMITT. With you, I am back. I am not sure I should be.

I am also concerned, as Senator Bentsen is, with the social security program. I certainly do encourage you to come to us with reform suggestions, particularly how that system discriminates against married women, primarily, and also how it is unfair and inadequate for most people, at least those I am aware of in New Mexico.

I also hope you will propose a way to get out of the box, so young people who are entering the work force today, or who are there today with 20 to 25 years earning potential left, will have a better system and better investment for their retirement dollar.

Both steps have to be taken. I would appreciate your suggestions on that, if you would comment.

Mr. CALIFANO. Senator, I would only say that we will do our best in terms of working closely with this committee and its staff, and we will do our best to fulfill the Carter campaign commitment of doing something about discrimination.

Senator SCHMITT. There is a time bomb ticking away. There is a baby boom that will be retiring. We had better be ready for that. There is not much time left to get some better investment program underway. I hope we can work together on that.

Mr. CALIFANO. Yes, sir.

Senator SCHMITT. Also, I am curious. I would like to call upon Senator Byrd's question on managing. I realize you will attempt to do a job, and have great qualifications for doing that job. I was involved in a program that pretty well reached the limits of the number of variables individuals in upper level management could handle. We finally found a few that could do that.

I strongly suspect that HEW contains many, many more variables than the space program did. However, we are still asking one man; namely, yourself now, to manage that.

I wonder if you could expand a little bit more on that, even to the extent of commenting on whether you think maybe the Department is too big. If it is possible to separate education, for example, as another department from HEW.

Mr. CALIFANO. My own view is, quite frankly, it is premature for me to say precisely how HEW should be organized and reorganized, in specifics of what ought to be in there, what ought to be out of there, how what is out of there should be lined up together.

Indeed on this committee, Senator Ribicoff probably knows more about that from his own experience in HEW than I do, not having

yet sat in that chair. It makes you think a little differently when you actually sit in the chair than when you are sitting outside, writing books and articles about the Department.

I would say, as an initial and general matter, that I will try and take as promptly as possible those steps that I have the power to take administratively to help that Department to operate more efficiently and responsibly. I think there probably are some steps.

At the same time, over the course of the past 15 or 16 years, sometimes at the urging of the executive branch, sometimes on its own motion, the Congress has vested a whole variety of bureaus and sections of that Department with direct authority.

That does limit the ability of the Secretary to administratively reorganize. To that extent, I may be back here asking for a little authority from the Congress.

Lastly, I think that we cannot forget that HEW is the forum to which the aspiring peoples of our Nation look for assistance, so that they, too, can climb up the ladder and share the benefits of this country—the blacks, the Indians, the Hispanic, the poor, the disabled, the most vulnerable people in our society. They want and seek the security in very specific programs directed at them, because they are concerned if they do not have those programs somehow someone will forget about them. I think that, if both of us, if I, and the people who have come to help me, and the Congress can make those people understand that the commitment is persistent and continuing, then they may not need a specific categorical program. If we can provide confidence of that in those people, the vulnerable people in our society, perhaps we can obtain and earn the flexibility to make that Department operate a little more efficiently and coherently.

Senator SCHMITT. I hope that you will help us do that. I know in a series of seminars we had in New Mexico before the election on a variety of issues, probably 75 percent dealing with HEW in some way, that the universal and dominant complaint was that in spite of the quality and necessity for the programs, they were almost impossible to administer. They could not be timely, they could not get to the people who really needed this help.

So that I hope that we can very quickly start to work together on this matter, because some very necessary programs are not working, really not working.

Mr. CALIFANO. I appreciate that, and I would very much like to see the results of the conference of which you spoke. It would be helpful.

Senator SCHMITT. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Hathaway?

Senator HATHAWAY. Thank you, Mr. Chairman.

I am delighted to see you, Mr. Califano. I wanted to follow up on a question that Senator Packwood asked in respect to abortion, and particularly in respect to personal views on abortion.

I recall, in your answer to his question, that you thought in certain circumstances federally funded abortion could be permissible, such as to save the life of a mother. But the real question I want to ask you is whether or not you would alter your position, or hold an open mind, subject to negotiation or discussion with those of us in the Congress who also have some very strong feelings in respect to Federal funding.

Many of us believe that we have a constitutional right in this area,

of which all the people of this country are entitled to avail themselves. Thus, if we say that Federal funds cannot be used to allow the poor people of this country to avail themselves of this right, we have, in effect, deprived them of a constitutional right or privilege, any way you want to look at it.

This question ought to be discussed with the administration, with the President himself, and others who feel the same way you do, and with those who do not, such as Senator Packwood and myself.

My question is whether you will maintain an open mind and come down and negotiate with us and discuss with us this very important constitutional problem.

Mr. CALIFANO. Senator, there are two points I want to make. One just briefly in respect to your understanding of my answer to Senator Packwood, I was not responding to a question about Federal funds. I simply said that I believed that when the viability of the fetus and the viability of the life of the mother were in conflict, then there was a value judgment; there was a conflict of central values. It was ethically, morally, and every other way appropriate for someone to make the decision to save the life of the mother.

As far as discussing the subject, it is quite clear to me that we are—and will be for some time—in the midst of the great national debate on this issue. Obviously there will be a lot of discussion in this forum, in the Congress as a whole, in the executive branch of the Government, and in other forums around the Nation.

I simply would support what Governor Carter said repeatedly and clearly. And Governor Carter was elected—I was not the one that was elected.

I would also underline what I said: That I would not have even gone to Atlanta for an interview, had I not thought this problem through, and was willing to enforce whatever the law of the land is, without any inhibition of personal conscience or anything else, to enforce that law as vigorously as I will try to enforce every other law I am charged with enforcing. I will absolutely assure you of that.

Senator HATHAWAY. What I am getting at is whether you are going to maintain an open mind. All of us make up our minds on various issues, and make certain statements. There are always arguments advanced after we have made up our minds that we should keep our minds open, too, and be willing to change our minds when those arguments are pressed upon us.

Mr. CALIFANO. Senator, my mind has been opened and reopened many times on many issues. I assure you it is not closed on any issue.

Senator HATHAWAY. We can assume that it is open on this one?

Mr. CALIFANO. Yes.

Senator HATHAWAY. Let me ask another question.

Senator Bentsen mentioned that your responsibilities are going to be onerous. I wonder if you would advocate a spinoff of education in a separate department?

Mr. CALIFANO. Senator, I know Governor Carter discussed that during the campaign. I have also written about that subject in private life. Quite frankly, I would like to look at that issue and ask whether it should be separate or whether it should be part of one larger department for social services.

I know for some time Senator Ribicoff, who, as I indicated earlier, has had more experience and has sat in that chair, has made proposals in this area. He has thought about it.

My writing on it is on public record. I wrote I do not think it was appropriate to add another department directly reporting to the President, that the general thrust of reorganization should be to reduce the number of people reporting to the President of the United States, because it is not possible for two or three hundred people to report to him.

What happens, in effect, is that some people never report to him and they get little policy direction, either from the President, or anybody else in the executive branch.

In sum, I would make two points. The American people did not elect Califano, they elected Carter. He said he wanted to look at this.

Second, my mind is certainly open on any organizational issue, especially when people like Senator Ribicoff who have served in HEW think it is an important thing to do.

Senator HATHAWAY. Thank you, Mr. Chairman.

The CHAIRMAN. The Chair wishes to welcome our newest member of the committee, Senator Edward Zorinsky. We are very pleased to have you with us here.

Senator ZORINSKY. Thank you, Mr. Chairman.

Mr. Secretary, I would like to ask you your feelings concerning the success or failure of the current categorical grants in the area of education versus block grants. I do not think my area is unique from any other. It seems that what is good for one is not good for all.

I think block grants give a greater latitude of ability for locally elected school people to make their own determination and set their own priorities as to how to use tax dollars that originate not in Washington, but are sent from taxpayers all over the country.

Do you have any strong feelings on categorical versus block grants?

Mr. CALIFANO. Senator, I have to respond by saying that this has obviously become an issue in the last few years. There are lots of different views on this subject.

I am not really wedded to that host of Great Society categorical programs that were passed in the 1960's. I am wedded to the principles of those programs to focus aid where it is needed, focus it on the disadvantaged, provide for those who are most in need through the Federal Government. As a redistributive element, particularly in education, if we do not deny opportunity to children in the educational area, we are denying the opportunity for full life as an adult for another 60 years.

Perhaps that is the worst kind of denial that we can have.

I am not prepared that the categorical programs should be wiped out, although I am not prepared to say they should be block grants. I simply do not know the answer to that question. It is one that we will examine when we are there.

Senator ZORINSKY. Do you have any feeling for the additional paperwork that has been mandated?

Mr. CALIFANO. Let me say that everybody goes into these positions and says that they will reduce the paperwork. I will do everything I can to reduce the administrative redtape in that Department. I expect to start my own zero-base system, if you will, in terms of forms that are required, information required.

We clearly have reached a point in our society that redtape is out of hand. Government contributes to that. I hope that we can simplify forms, trust people a little more, and trust institutions a little more.

There is a lot of redtape for all kinds of people, Governors, mayors, educational institutions, a lot of the poor people that are on welfare and receiving other grants. We have to develop in this country a little more trust in all of those people from the poorest and the ones on welfare to the Governors and mayors and say: "You do not have to dot every "i" and cross every "t." We do not start from the premise that you are trying to disobey the law. We are not starting from the premise that you will not act consistently with the objectives set by the Congress. We will start from the premise that you will act lawfully."

I hope to do my best to eliminate a lot of that.

Senator ZORINSKY. I would hope that when you use your own process of zero base that you will crank into the administrative process the experiences of the local school districts, because the problems are out there, and not here in Washington.

Mr. CALIFANO. I will, Senator. I will be in touch with you.

Senator ZORINSKY. Thank you, Mr. Chairman.

Senator RIBICOFF. Senator Curtis?

Senator CURTIS. Were you in Government during the Kennedy Administration?

Mr. CALIFANO. Senator, I was a lawyer. I came to Government as a lawyer, working for then-General Counsel of the Defense Department, Cyrus Vance, in April of 1961. I worked in the Pentagon until July 1965 when I went to work as President Johnson's domestic assistant.

Senator CURTIS. You have been given a title of the architect of many of the Great Society's social programs. Whatever you did have to do with that was from the White House?

Mr. CALIFANO. That is correct.

Senator CURTIS. Did you have a part in the formation of the legislation for the medicaid program?

Mr. CALIFANO. I believe that medicare and medicaid were enacted in 1965. I came there in the middle of the year. I am sure I was involved in the legislative discussions. I do not think that I could take credit for devising either the medicare or the medicaid program.

Senator CURTIS. You did have something to do with it?

Mr. CALIFANO. I was certainly for it all the way, and pushed very hard to get it passed.

Senator CURTIS. You were in discussions with high officials in HEW during the time that it was enacted?

Mr. CALIFANO. I am sure that I was. I do not have any specific recollections.

Senator CURTIS. Medicaid is going to cost \$10,300,000,000 in fiscal 1977. Medicaid was submitted to this committee by Secretary Celebrezze who was asked, what would it cost. I will read: "The cost on a full-year basis is estimated at \$200 million, with \$100 million being the estimated cost in the fiscal year ending June 30, 1966."

It was on that basis that this committee acted favorably on the program. I did not happen to vote for it.

That was in 1966 they were talking about it. By 1968, the expenditures for medicaid had reached \$1.9 billion, almost \$2 billion, which is

quite an increase over \$200 million, and it has gone up now, and every year it exceeds the budget estimates. Can we have an understanding that that will not happen again?

Mr. CALIFANO. I hope, Senator, if I come before this committee, or any other committee with an estimate, that it will be more accurate. I cannot, I think I cannot fault Secretary Celebrezze, in the sense that my recollection of those years was that everyone was surprised by the tremendous cost of medicaid, everyone in the administration, as well as everyone on the Hill.

Senator CURTIS. The great social changes were set in motion; organized medical societies in many States immediately said if the Government is going to pay for this, we will discontinue the charitable practice of medicine, and they did, and I was told in one State on the passage of medicaid, they not only said there will be no more charitable cases, a lot of those charitable cases pay 1, 2, 3, 4, or 5 years later. People have a high respect for their family doctor.

They also not only discontinued practicing for the poor without pay, but they raised their office costs from \$10 to \$25. Today, we are plagued with stories in the paper of tremendous sums that doctors get. Maybe we should get after the individual doctor. He may be as guilty as all-get-out, I do not know. The point is, somebody must have known better, and they briefed the Secretary that he could make a reply of \$200 million in such a program.

My time has expired; that is my first question.

Mr. CALIFANO. Senator, I will do my best to make sure that I and the top officials in the Department know and understand the ramifications of the programs that we propose as well as the ramifications of failing to act. I will also do my best to make sure that we inform the Congress that when we come and ask the Congress for something we know to the best of our ability, what the costs will be.

There has been a tremendous increase in the base of data and information available on which there are projected costs, health costs, welfare costs, other costs. There has also been a tremendous increase in the expertise and knowledge of Senate and House staffs, and this may be the biggest change I have noticed in Washington.

I think that you will all be better prepared to help us make sure that we know what we are doing when we make these proposals.

If you are asking me, should we abandon the principle of medicaid, the principle of providing medical care for people who cannot afford it, who are medically indigent, if you will, my answer is no. We must stay with that principle.

Where we should focus our efforts is on controlling costs and controlling utilization.

Senator CURTIS. The credibility of the Department in estimating is not very good. Nobody can calculate exactly what will happen in the future. The Department of Health, Education and Welfare making estimates remind me of a question that was asked one of our local citizens back home, is he honest? The person to whom the question was addressed to hesitated a long time and said, "Well, I would not say he is dishonest, but all of his mistakes are in his favor."

The CHAIRMAN. Senator Ribicoff?

Senator RIBICOFF. Joe, President Carter has made an excellent choice in designating you as the Secretary of HEW. I have listened

with interest to all of these questions. I do not know how a man who has not even been sworn in and who has been designated for 2 weeks can have all of this information and can know what he is expected to do with a department which has a \$125 billion budget, 300 programs, and 140,000 employees scattered around 5,200 buildings throughout the United States.

I sympathize with your trying to answer all of these complex questions. The problem that you have is this: Your philosophy about the responsibility to your constituency is absolutely correct. Unfortunately, no President of the United States is either willing or able to go as far as your constituency will keep demanding that you go. This will give you the basic dilemma of a Secretary: to carry out a policy of a President who cannot go where you try to go and where you want to go.

Senator Curtis opened up an inquiry which is very important. I think that you understand—you wrote about it in your book, "A Presidential Nation," about the withholding of information by the executive branch from the Congress. You say in your book, "Delay in providing information is in itself a potent weapon, for the attention span of most Senators and Congressmen and their committees tends to be far shorter than the persistent interests of entrenched executive branch bureaucracies."

You quote President Johnson as saying, "A Congressman is like a whiskey drinker. You can put an awful lot of whiskey into a man if you just let him sip it. But if you try to force the whole bottle down his throat at one time, he will throw it up."

What Senator Curtis is referring to is absolutely correct. There is a consistent policy in the executive branch of withholding information from Congress. I think you point out in your book that the Senator who led the fight for continuous information for the Congress was Senator Ribicoff. I think that one of the great tragedies is the failure to give information.

You are going to be faced with two basic reforms in your 4 years—I do not know where they will come in President Carter's 4 years—welfare reform and health.

Here are two basic reforms that could have been started some years ago if there had been some understanding between the executive branch and the Congress when President Nixon put out his family assistance program in 1969. It was a beleaguered program; it was a good program. I wish we had made a start on it in 1970.

The committee was unalterably opposed. There was pressure from the more liberal ones to go up higher and from the more conservative to do nothing. But during that period every member on this committee from the chairman to every Republican and Democrat, was willing to pilot out the President's proposal; was willing to authorize \$500 million to pilot it out, to see if it would work.

You, yourself, have indicated that many of the Great Society programs have not worked. It is very difficult to understand how you can take a multi-billion-dollar program affecting the whole Nation and project whether it will or will not work. That is why I think that some of us have come to the conclusion that when you have a multi-billion-dollar program affecting the entire Nation, you either are going to have to pilot it out, or go on an incremental basis. Either

fold it into existing programs, existing methods, or existing society and see if it works.

I think that President-elect Carter with his budgetary problems and you, yourself, when you are faced with health care or faced with welfare reform will have to take the incremental approach, or pilot out programs. I think you will find much more sympathy in this committee, in the Congress, and in the American people if you go that way.

These are some of the dilemmas you are going to have to face.

I do not think that it is possible for any Secretary to handle HEW. Every man who has been in your seat has thought that he could do it. If you need a little bit of humility, just walk down the corridor leading to your office and see how many pictures of former Secretaries of HEW hang on that wall.

[General laughter.]

Senator Ribicoff. And the length of their tenure. A lot of it is Congress' fault. When Congress has passed a program without knowing where to put it, it has put it in HEW and it has forced upon the shoulders of the Secretary impossible tasks. That is true.

The Department of Education—I think the time has come for the Department of Education—talk to Senator Magnuson, responsible for the budget of HEW. Every time the budget and appropriation comes up for HEW, he comes to me with great despair about the impossibility of HEW handling financially the problems that HEW has, and he has constantly urged upon me to cooperate with him for the creation of a department of education.

The majority leader, Senator Byrd, feels that way. Many of us who have worked in this field feel that HEW is beyond the capacity of one department to handle. When you understand the complexity and the human beings involved, we are going to have to break it up.

We are the only Nation in the entire world that places in one department health, education, and welfare, and yet we are a Nation of 220 million people. Every other nation divides it up in separate departments.

I know you are going to do your best, and that is all anyone can expect of you. There are many questions that I have for you, and every man who has been in your chair, I have always held out a hand of complete cooperation to try to be as helpful as I can, because I understand the problems that face you, but I am confident in your ability. I am confident in your intentions. I have confidence in the philosophy and the intentions of President-elect Carter, that between you, you are going to do the best possible job that you can with HEW, with its manifold programs and problems, and I wish you the best of luck.

Mr. CALIFANO. Senator, thank you very much. I would make just one comment to you and the committee.

As far as information is concerned, I would hope to provide all the information that Congress needs. I hope to provide it promptly. I think that that is an imperative, if the two branches are to work effectively together.

I noted with Chairman Long this morning, and talking to Michael Stern, the staff director, last night, that it seems to me that if we are to develop a welfare reform proposal, it is imperative that this committee and some member of the staff—not to commit this committee—

just to be familiar with all it, be involved from day one with me and the people in my Department who will work on it.

The same is true of the House Ways and Means Committee, because the problem is complex. We should all start together. We may not agree when it is over, but we should all start together and know what everybody is thinking and get help from everyone else.

I mentioned this to Chairman Long this morning. I intend to do that. I intend to make sure that you and your people have any information that you may need.

The CHAIRMAN. Senator Gravel?

Senator GRAVEL. I would like to insert a statement in the record.

[The statement referred to follows:]

STATEMENT BY SENATOR MIKE GRAVEL ON THE NOMINATION OF JOSEPH CALIFANO, JR. AS SECRETARY-DESIGNATE OF HEW

I want to welcome Mr. Califano to the Finance Committee—we hope to see you often. I am extremely pleased President-elect Carter has called you back to government service.

The Department of HEW has been called unmanageable and a bureaucratic nightmare. There is little disagreement that an individual with special capabilities to sort through the maze of programs, to inspire the efforts of policy and administrative personnel, and to envision better, more compassionate and equitable health, education, and welfare programs is needed to lead HEW. I think Mr. Califano, by virtue of his varied experience in government, including his tenure as domestic affairs adviser to President Johnson, and his expertise as an advocate in the private sector, is well-prepared and highly suited to be the HEW Secretary.

I am eager to work with Mr. Califano on the serious problems of health, including medicare, medicaid, and National Health Insurance. I am also hopeful that Congress and the new administration can coordinate efforts to reform the welfare system. The commitment to a better standard of living for all Americans should provide the spirit of cooperation we need to achieve these goals.

Senator GRAVEL. I am very pleased with Mr. Califano's appointment. I was struck by a statement you made that I recall 8 years ago at the outset of the other administration. Everybody came to us, saying that they were going to cut down on the paperwork. Historically, it does not cut down.

I appreciate your candor in realizing that.

It's a tremendous task you undertake, I'd like to give you an example which I have found horrendous. We had a health conference in Alaska and I was astounded to find out that we had institutions and hospitals that were opting out of medicare because of the bureaucracy and paperwork involved.

When it gets to be so expensive that people say we cannot afford to take on a Federal program as fundamental as medicare—that has to be the danger signal of all danger signals about the idiotic bureaucracy and paperwork involved.

I don't think you can solve all the paperwork problems. When you see hospitals in areas opting out of a Federal program because they cannot hack it, I would hope that you would focus your attention on that area. That would be very helpful.

Mr. CALIFANO. I will. There is something wrong there.

Senator GRAVEL. The institutions in Alaska are doing that.

Another area deals with alcoholism. Of course, this is probably the most serious disease we have in Alaska, and one of the most serious

diseases we have in the Nation. I was also surprised to find out that there is quite a disparity between the amount of revenue that we collect from alcohol taxes and the cost of alcohol in our society.

It just struck me that the availability of alcohol is something that many of us enjoy—I enjoy it—but there is a cost to society. I am toying with the idea of possibly introducing a severe tax on alcohol to truly pay for the cost of the presence of alcohol in society. This money would go into a trust fund with the money coming out of the trust fund to pay the social cost of alcohol in society.

It is quite horrendous. Not only rehabilitating people who are alcoholic, but the cost to society of auto accidents; the cost of our penal system; et cetera.

This may be a threefold increase in that level of taxation. I, as one consumer of alcohol, would be prepared to pay for that cost in society.

What would be your reaction to this kind of funding process that would clear the accounts and would not raise the cost to the taxpayer in a general sense, but only raise it for those who enjoy the benefits of that element in society?

Mr. CALIFANO. Senator, I would look at that proposal. Quite frankly, I would not be prepared to comment on whether that is the best way to raise the funds to deal with this problem.

There is no question in my mind that alcoholism is a serious problem in this country. We pay the tremendous costs in crime and tremendous costs in terms of family. We are now paying tremendous costs in terms of the neglect of other specific groups, the special problems of women who are alcoholics, the special problems of teenagers who are alcoholics.

I hope that I can find the right people to help and work in this area and put an absolute searchlight on this problem, so the American people understand the cost of it.

One of the things I would hope to do in that Department is have systems where we all understand the negative cost of what happens. We come up here and ask for money to help with the problem of alcoholism, or help give special attention to the problem of the woman alcoholic or teenage alcoholic.

We do not often enough come to the Congress and the American people and say, if we do not help, this is the price we are paying for this problem.

Senator GRAVEL. Thank you very much.

The CHAIRMAN. Senator Dole, we are pleased to see you on the scene. You arrived just in time to take your turn.

Senator DOLE. Good morning.

I do not have many questions. I just want to touch on one area, and that is dealing with the handicapped. I certainly have had some experience with the handicapped, making every effort in HEW to implement ongoing programs.

Section 504 of the Rehab Act of 1973 reads:

No otherwise qualified handicapped individual in the United States as designated in section 706 shall not, solely by reason of his handicap, be excluded from participation in, and be denied benefits of, or subjected to discrimination under any program or activity receiving Federal financial assistance.

I and other members of this committee have an interest in that provision, and I am just looking for some word that you are going to see that it is enforced in the best way that you can.

Mr. CALIFANO. Senator, absolutely. I realize, as I mentioned earlier, that this is the Department for all people in our society, especially the most vulnerable. Those who have suffered in many ways by both neglect and the kind of insensitivity are the handicapped. I would intend to move in connection with that statute to do what has to be done in order to give the opportunities that they deserve in our country, and I will move on that.

Senator DOLE. You do not have any reservations about hiring anybody who might be disabled, if they are otherwise qualified, and promoting those persons, regardless of a handicap or disability?

Mr. CALIFANO. I have absolutely no reservations on that at all. I think, indeed, we should probably, since we are charged with enforcing that law, we should probably be setting an example in the Federal Government and the Federal Government should be setting an example to the country.

Senator DOLE. There are other questions in this general area. I think that handicapped Americans may be the new minority in this country. -- I do not say they deserve special treatment or special attention, but they deserve the same consideration we have for other Americans.

It seems to me there is a great opportunity there for the incoming administration and particularly for you and HEW to really make a positive contribution to the American society.

Mr. CALIFANO. I will do my best to take advantage of that opportunity. It is an area that the Congress has, in many ways, been ahead of the executive branch and in the forefront. I will do my best to execute those laws.

Senator DOLE. The Architectural and Transportation Barriers Compliance Board has not always functioned effectively. It seems to me that this is an area that deserves a great deal of consideration that Congress has taken some initiative in many areas. Unless we can remove the architectural barriers, it does not do much good to talk about the rights of the handicapped, or anything else.

If they cannot get into the building, it is hard for them to go to work.

Mr. CALIFANO. It sure is. I will look into that, and move into that area, as well.

Senator DOLE. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Califano, how many people are living in poverty in this country right now? Do you have any information on that subject? What is your latest recollection?

Mr. CALIFANO. I do not, Mr. Chairman. I do not want to try a number. I do not know the answer.

The CHAIRMAN. You could provide it for us, could you not?

Mr. CALIFANO. Absolutely. I will do that.

The CHAIRMAN. Were you not with President Johnson when you declared the war on poverty?

Mr. CALIFANO. Yes.

Senator CURTIS. How did that war come out?

Mr. CALIFANO. My recollection was that there was a significant reduction in the number of people in poverty during that period of time.

The CHAIRMAN. My recollection is that President Johnson provided the leadership, and some of us did what we could to help, to the point where we drastically reduced the number of people in poverty. I would

think that if we had continued to move at the rate that his administration was moving, you would say it was a war that could have been won.

Since that time, I fear that a lot of ground has been lost. Do undertake to provide us for the record what you estimate the number of persons in poverty to be when President Johnson started out and where you think it was when he went out. I believe also you are going to find that the number of people defined as being in poverty has actually increased during the last few years.

I would suggest that we set a benchmark and set an objective. If you are able to keep to succeed in making your target, as far as I am concerned, I will undertake to see that we provide you with a silver loving cup every year you do it. If you do not make it, we may present you with something else, and I would not be surprised if somebody would be presenting us with a brass spittoon as a gift from the Secretary on the theory that it is really our fault that it was not achieved.

Rather than find fault with one another, we should take stock of ourselves. Here is where we stand. Here is how many people are in poverty now.

I know the more you reduce the number, the tougher it gets, the harder core you get to. I think that is the experience, trying to reduce poverty.

[The following was subsequently received for the record:]

DEAR RUSSELL: Your recollection of the poverty figures is correct.

The Census Bureau population report has calculated the number of people living in poverty as follows:

1903—36,436,000; 1969—24,147,000; 1975—26,000,000 (estimated).

I thought you might want to have figures handy.

Best regards.

Sincerely,

JOSEPH A. CALIFANO, Jr.

Mr. CALIFANO. That is correct, Mr. Chairman. Near the end, it was very difficult. In 1968 unemployment was 3 percent, and we were really driving at the hardest and most impoverished elements of our society.

The CHAIRMAN. At that point a lot of it has to be in terms of trying to motivate those people, to provide them with some inspiration. You indicate what your parents and my parents did to help us. I think one of the best things they did for us was to set an example to at least try to be as good as the old man or the old lady. That type of example before us many times was the difference between making it or not making it, persevering or not persevering.

If we work together, I think we can achieve a lot. There are many things we can agree on, even though some of the people in the Department might not agree. I do not know what the problem is. Senator Ribicoff probably knows it; apparently there is a whole separate government down there within that Department.

It has been my experience that I could talk to a President and explain to him that we would be doing somebody a much bigger favor to provide him a job or to help him get one and move him into the mainstream than we would just to pay him to live on welfare. I get the impression that if we discuss the same objective with the Secretary of HEW, things went along fine until he went back down to the Department. I was given the impression that for some reason, some people in the Department do not look at it that way. They have a whole different philosophy.

I guess they seem to feel that we are working for them. You are going to detect that some of them think that you are working for them rather than working for the President and the Congress who have been elected to pass laws and give policy direction.

If we can agree on what we are trying to do, and if you can make that Department work for the President and work for you to carry out the laws that we pass up here, I am still optimistic that we can make this thing work.

I look forward to working with you. I am grateful for your indication of a desire to cooperate and communicate. I am very disappointed that we were not able to do more things in the last several years than have been done. One of them is something that Senator Ribicoff touched on. Every step of the way, in the fight over "family assistance," even those who did not agree with it were perfectly content to provide those who advocated that plan the money to try it out.

I suggested to the Department, whoever was responsible in HEW, that they try it out in the District of Columbia, where you could see whether it was working or not. We could not get that agreed to. In fact, I was told that that was the last place that they would try it, if they agreed to try it at all.

If an idea is good, it ought to be possible to prove its merits before you ask somebody to go all the way with it. If it is not any good and it does not prove itself to be meritorious, you ought to be able to junk it and go for something which makes better sense.

My thought is that if we cannot agree on the program you advocate or the program that makes sense to some of us on this committee, we could at least agree to give both of them a fair trial, or maybe try three different approaches. It may very well be that our experience would indicate that there are some elements of each approach that it would be well to incorporate in the final bill that we agree upon.

The last thing that I think we should do is take something that the majority of us do not think would work and proceed to put it into effect nationwide, only to get something that you have very great difficulty tearing yourself loose from if it is a failure. On this committee, I am happy to say, left alone to communicate with one another, in spite of the fact that we have some of the best conservatives and liberals in the Senate, we could all agree on something.

I just hope that you find the same cooperation from those with whom you will be communicating in that Department.

Mr. CALIFANO. Mr. Chairman, I hope so, too. I think it will be there. I echo your comment and the general principle of trying to test programs.

As I am sure you recall, it is very difficult at some points in the sixties to do that because programs had just started.

I would welcome in a whole variety of areas the opportunities to have some funds and authorizations to test programs. As a minor example, the most effective job program in terms of people being trained and staying on the job in the Johnson administration, dollar for dollar, was the National Alliance of Businessmen. The reason was that we tried to evaluate others in the other 4 years, and we picked the best of all of them.

So I share your sentiments about being willing to test some of these ideas out so that we know what we are doing. We are dealing with the enormous resources of the American taxpayer.

The CHAIRMAN. I do not want to make comparisons. President Johnson had a Congress overwhelmingly Democratic. He was in a position to expect legislative action and as a former majority leader he knew how to get his bills through. These last two Presidents have not had a Congress of their own party and many of their ideas were frustrated and never were enacted, or ever given a chance.

In my judgment, we have a truly magnificent opportunity to make something work.

Mr. CALIFANO. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Packwood?

Senator PACKWOOD. Mr. Califano, you indicated that your views and those of President Carter regarding abortion and the case of Federal funds for abortion are identical. I am not talking here about abortions for saving the life of women, and I am not talking about enforcing the laws as they exist, but I am interested in what your recommendations would be to change the law if you were in a position to change the law.

Let us assume that the Hyde amendment is found to be constitutional and it is left to the discretion of the Congress and the executive branch to recommend whether or not Federal funds should be used for abortion in a whole variety of programs, medicaid or otherwise.

At this moment we are funding, through HEW, up to 300,000 abortions a year. Almost all of those are medicaid abortions. You are only supposed to receive medicaid assistance, abortions or otherwise, if you are medically indigent.

Your advice would be, your position would be, and President Carter's position would be, that that money should be withdrawn, that those 250,000, 300,000 abortions funded each year mostly for the poor, about half for minorities, shall be unavailable. If they have no other access to medical help, they will not be able to have abortions.

Mr. CALIFANO. Senator, let me read you one of the scores of statements that President-elect Carter made during the campaign. This is a question to him:

Under what circumstances, if any, would you approve of the use of medicaid funds, for example, to pay for abortions?

Answer: I would not approve of it at all. If the Courts should rule it should be done, obviously I would have to comply and carry out the laws of our country, but I do not favor the use of Federal money for abortions.

That was clearly repeated dozens of times during the campaign. That is the position, as things now stand, of the Carter administration, and I would be less than candid if I did not just lay that out clearly.

Senator PACKWOOD. I want to be sure that what you are saying is laid out clearly. If you had a choice—not a law—but you have a choice to make a recommendation, your recommendation would be that no Federal funds will be used for those 250,000 or 300,000 poor women, medically indigent, mostly minorities, who could not otherwise afford abortions?

Mr. CALIFANO. That would be my position. That would be my recommendation and the position of the Carter administration.

At the same time, Governor Carter repeatedly said, and as I have said here, we must provide alternatives to abortion. We must do the most that we possibly can in those areas.

Those alternatives include, obviously, increased personnel and funding to deal with problems of teenage pregnancies, increases in the whole foster care area, increases —

Senator PACKWOOD. Let me stop you there. How do you deal with teenage pregnancies once the teenager is pregnant?

Mr. CALIFANO. What you do, Senator, is try and have a much better and more thorough sex education program and provide funds for them and provide encouragement from the National Government and the Congress, which has been reluctant to provide funds directed at sex education, so that the young people, the young women of this country, understand, understand sensitively and fully the ramifications of these actions.

Second, I think you provide family planning information, birth control information on a wide and broad scale to people in this country. With those kinds of things, you can prevent teenage pregnancies.

When the teenage pregnancies occur, there are alternatives. There are sensitive, decent human alternatives. We have a great deal to do in terms of providing for the way that the teenage pregnant mother is treated in this country in terms of where she lives, how she lives, what kind of Federal support, what kind of support for homes that are available.

Senator PACKWOOD. Let me stop you there, because I am going to support all of those programs, I have and will continue to. I want the choice to be available.

What we are saying, as far as the Carter program goes, with all the planned parenthood facilities, all the homes for unwed mothers, all the decent facilities to take care of them, if that woman wants to have an abortion and is poor and cannot afford it, tough luck.

Mr. CALIFANO. Senator, what I am saying is that we should reduce those cases to the greatest extent possible.

Senator PACKWOOD. Still, tough luck, as far as Federal help is concerned.

Mr. CALIFANO. The Federal Government is not the only source of all funds. That is what the Congress has said in the Hyde amendment, the Senate and the House who voted for that amendment last year.

You want my position, I am trying to lay it out as a candidly as possible.

Senator PACKWOOD. I assume your position would be the same on national health insurance—no funds available for an abortion.

Mr. CALIFANO. That is correct, and it is Governor Carter's position.

Senator PACKWOOD. Specifically, on a constitutional amendment to reverse the Supreme Court—correct me if I am wrong. I thought Governor Carter's position was he had not seen any amendment yet that he would support, but he had not foreclosed the possibility that he might find one that he could support. Is that correct?

Mr. CALIFANO. I am not sure that that is correct. I am not sure that that is correct.

My own position, as far as the constitutional amendment is concerned, is that it does not make any sense that we run to the Constitution on abortion, we run there to stop busing, we run to the Constitution on prayers in schools. We have to stop running to the Constitution to solve all of our problems.

This is a free society; there is plenty of room for discussion. It is a very difficult issue. I do not underestimate the difficulty of this issue. I do not, in any way, belittle the depth in feeling and thought that lots of people who do not happen to share my personal position have about this issue. It is a very, very difficult, intimate, personal issue: a human problem.

I do not think, in our society, that the way that you solve problems like that is by running to the Constitution with some kind of amendment.

Senator PACKWOOD. Is it your position that you are opposed to an amendment to overturn the Supreme Court's position?

Mr. CALIFANO. I oppose any amendment.

Senator PACKWOOD. You would leave the Supreme Court decision which says that a woman as a matter of right can have an abortion?

Mr. CALIFANO. I would leave that standing. That issue is obviously going to be litigated. I read in the Evening Star last night that there is another argument on a case that is before the Court and on which the Justices have expressed all kinds of views.

Senator PACKWOOD. The conclusion comes down to this. I know that you are not speaking for President Carter here. You are personally opposed to any constitutional amendment to change the decision, leave it as it is, the woman has a right to an abortion.

If the woman is poor and has no other access to an abortion, she will not get Federal funds for it?

Mr. CALIFANO. Federal funds are not appropriate for it, to use Federal funds for an abortion, for women rich or poor.

Senator PACKWOOD. I have no further questions.

The CHAIRMAN. Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

Mr. Califano, as one who gets around Virginia a great deal, I found tremendous criticism and indeed, deep resentment, on the part of so many people with the continued expanded injection by Federal officials into the public school system.

I received, just this morning, a letter from the superintendent of schools of Southampton County in Virginia. I would like to read just a part of that letter:

DEAR SENATOR BYRD: For your information, I am sending a copy of Form OS/CR102 which has been sent to each school, namely thirteen in Southampton County for completion. In addition, there is Form OS/CR101 which is a summary sheet that has to be completed for the entire school division. Also attached is a copy of Superintendent's Memo No. 8123 from the State Superintendent of Public Instruction, Dr. W. E. Campbell which I believe reflects both the frustration of the State Department of Education and the local school divisions.

The amount of time, completely uncalled for, to complete these forms is a ridiculous burden on school principals and central staff personnel in the school division, and all school divisions of the state.

J. W. HARVILLE,
Division Superintendent,
Southampton County Schools.

I probably would not have brought this up this morning, although I know so many of the superintendents of schools and school principals all over the State. I find them to be dedicated individuals. They believe in education. They have devoted their whole life to it.

They have found it increasingly difficult to give education because of the great demands on them and on the school system by HEW from Washington.

I probably would not have brought it up, but I was impressed with the questions put to you by the two newly elected Members of the Senate, Senator Schmitt of New Mexico and Senator Zorinsky of Nebraska, and I have the feeling from the way that they were phrasing their questions, phrasing them in a very genteel way, that they too have experienced resentment in their States and concern in their States on the activity of HEW and the demands HEW is making on the school systems.

Senator Schmitt spent months and months going criss-crossing the State of New Mexico. Senator Zorinsky has done the same thing in Nebraska. I think that HEW and the bureaucracy in Washington can learn a great deal from those who have to be elected to public office in knowing the sentiment of the people of those States, and these are three widely separated States that we are talking about, Virginia, New Mexico, and Nebraska, and yet they all seem to be concerned with the injection of HEW into their local affairs.

I want to say that I was greatly heartened by your statement and your reply to Senator Zorinsky when you expressed the view that you want to proceed on the assumption that the local school officials, superintendents of schools, principals, want to do right rather than proceed on the assumption that they want to do wrong, and I think that, if that attitude could prevail at HEW, we would all be much better off, HEW would be much better off, Congress would be much better off, and the people in those various localities of our State would be, and the education system would be. So I want to say that I was heartened by your statement, if I understood your reply correctly.

Mr. CALIFANO. Yes, sir. Not only school officials, but other people receiving aid of one kind or another from HEW, hospitals, the people on welfare. We have to have some sense that the people out there do not begin from a proposition that they will evade the law.

As far as these questionnaires are concerned, we will look at all of them. We have to recognize that the Department is concerned with a variety of functions in some of these areas, whether it is enforcement of title VI or title IX, and that information is necessary to make intelligent judgments on those issues.

We also have to realize, I think, that in the education area, more so than in the health and business area, there is a lack of statistical information that might better enable us to come up here with better numbers and better estimates for the Congress to consider when we propose changes in law. The health and labor statistics are in better shape than the education statistics.

Senator BYRD. There is a nine-page report in small, fine type that has to be filled out by every school, and each school district. I do not know how many people, how many thousands or tens of thousands

of people analyze these things. If they are analyzed, I doubt that anything is done with them once they come here to Washington.

Mr. Califano, what is your thinking in regard to impact aid?

Mr. CALIFANO. Well, Senator in the 1960's, President Johnson 4 years in a row recommended the elimination of the impact aid program and for 4 years in a row the Congress overrode him. I guess I learned that lesson.

The realities are that impact aid is here. There are some very good aspects to the program, the changes that have been made in the last few years, for example.

One of the areas now getting support under the impact aid program, as I understand it, are areas in which there are substantial amounts of public housing, so that I would think that the program could be looked at and continually reshaped in order to direct it at these school districts most in need, for a variety of reasons.

That is basically my view. I have done enough tilting at that windmill.

Senator BYRD. I am encouraged by your view on that. One reason that I am in favor of the program is that it is one of the few programs—maybe the only program—in the education field that goes back to the localities without strings attached. I sort of like that approach.

May I ask you this? What is your thinking in regard to revising the social security laws to allow the retirees on social security to earn whatever they are able to earn instead of draw their little social security payment?

Mr. CALIFANO. Senator, I have to say candidly I do not know enough about that to give you an intelligent answer. I will look at that problem promptly, if I am confirmed, and I will be happy to get back to you after we have had a chance to look at it.

Senator BYRD. Thank you, sir.

I have had several calls for some dedicated citizens of Virginia who are members of volunteer boards of directors of volunteer organizations that deal with handicapped people, and they are anxious that there be a continuation of the equal partnership of the Government and the private agencies in planning and delivery of services to the handicapped, which has proved satisfactory through the years.

The feeling is that it would be unwise for HEW to take over these volunteer works where they have been handled by top professionals and have done a good job in the past.

Would your inclination be to continue the equal partnership basis?

Mr. CALIFANO. Senator, as far as volunteer agencies across-the-board are concerned, the role of HEW is to help leverage or increase their ability to do things. They are a tremendous asset that I do not think we have fully tapped in our society, a very important asset in our society, because volunteer work can be very helpful and can often do things with more flexibility than the Government.

I would hope that we could increase and enhance our relationships with the volunteer agencies, and also do what we can to increase their ability to grow. That is what I mean, leverage it out so that they could even do more. We cannot do it all.

Senator BYRD. I think that that is an excellent approach. Thank you, sir.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Hansen?

Senator HANSEN. I have no further questions.

The CHAIRMAN. Senator Schmitt?

Senator SCHMITT. Mr. Chairman, I do want to specifically associate myself with the remarks of Senator Byrd about the administrative overhead imposed by Federal regulation on the education system and other systems, but particularly education that Mr. Zorinsky also mentioned. It has gotten to the point, I am afraid, that schools as well as hospitals mentioned by the Senator from Alaska are considering not taking Federal funds because of the administrative overhead.

Our school district seriously considered that, until the funds were increased, and they said, I guess the cost benefit is there. We are keeping the doors of the schools open and not teaching anything, not only because of this administrative overhead on principals and teachers, not only overhead, but we are discouraging teachers from continuing in education.

We are all pretty well agreed that we have to do something about that. Overhead is just completely unreasonable.

The implication that people will not act in the public interest is there, and it is degrading and demeaning and we should remove that also. People will act in the public interest. If they do not, we have other ways of dealing with that situation. End of comment.

Food stamps. I am curious about your feeling relative to the food stamp program. Should that be a program associated with the income maintenance programs of HEW, or should it still be maintained by the Department of Agriculture?

Mr. CALIFANO. I do not think that I can answer that question sitting here today. Obviously, the food stamp program is something that should be looked at in connection with any welfare reform proposals.

I do not go to the program with any prejudice to continue it forever, simply because I was one of the people that worked on starting the program in the sixties. I understand that it has fulfilled a very important need for people in our society. My only answer is whether it is continued as a food stamp program or whether it becomes some kind of an income program, however that is worked out, is a relevant piece of welfare reform problem.

My answer is: I just do not know at this time. I have not been a critic of the food stamp program. I think that it has provided a lot of good to a lot of people in this country.

Senator SCHMITT. There is no question it has. The question is, it has gotten out of hand in terms of the administration.

Are the people who require it and need it actually getting the food stamps, that is the question.

Mr. CALIFANO. Those questions are questions that should be addressed in connection with welfare reform. As you and I know, that particular program does not sit in the Department of Health, Education, and Welfare, but we would involve the people in the Agriculture Department in the study of welfare reform.

Senator SCHMITT. I certainly think in the consideration by the Carter administration of the reorganization, the issue of that program in Agriculture will come up. I certainly hope it does, just so that it is an open discussion, not only as it is affecting welfare, but it is affecting Agriculture, because the Department of Agriculture is spending a great deal of its time—and this is a management problem. How big a problem can one individual manage? Big is not necessarily good in terms of reorganization of Government, but we find that agricultural research programs and other activities of the Department of Agriculture are being sacrificed, I am afraid, because of the saturation of dealing with the food stamp effort.

I also am curious about if you have any thoughts about the utilization of contract services to carry out the administration of HEW programs. What I have in mind here is one major area in our great country that we may not have fully utilized in providing for those people who cannot provide for themselves through Government action.

Is marrying the efficiencies of the free enterprise system—a very efficient system—marrying this system with the needs for social action—do you have any thoughts on that?

Mr. CALIFANO. I think there is an important role for those involved in the free enterprise system to play in this. Until the last several years, there were not a significant number of independent for-profit organizations out there who were working on social problems. Many have grown up in the last 8 years or so, and I would like to take a look at that when I become Secretary and try to tap anything that will enable us to reach more people with the same amount of money—to be more efficient and compassionate.

Senator SCHMITT. One final question. Are you familiar with the experimental programs in the State of Massachusetts where an attempt to combine the use of funds allocated to welfare with jobs programs, in that case, I believe, are oriented towards improving the railway system.

Mr. CALIFANO. No, Senator, I am not.

Senator SCHMITT. It is really an effort by the Lieutenant Governor, as I understand it, to not view jobs programs in one box and welfare programs in another, but bring them together in a coordinated way, really allowing States, in the case of their argument, to have more discretion on the use of funds that are income-maintenance funds, welfare funds from the Federal Government in creating useful employment that would not only be useful to the individual, but to the State as a whole.

Do you have any comments on that?

Mr. CALIFANO. My comment is that we will look at that program. I am not personally familiar with it. I certainly will become familiar with it, and understand what they are trying to do, in looking at this whole area of welfare reform.

Senator SCHMITT. I do not specifically represent the State of Massachusetts, but I do commend the program, and I bring it to your attention. I would be interested to learn more about it.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Curtis?

Senator CURTIS. Mr. Secretary, one of the big loads in the welfare system is the AFDC program, is that not correct?

Mr. CALIFANO. That is my understanding.

Senator CURTIS. It started off as an ADC program in 1937. At that time, 1 child out of 50 was a dependent child, and severed in the program. And the last national figures I have, for 1973, 1 child in 8; in Chicago and Detroit, 1 out of 5; in New York and Newark, 1 in 4. St. Louis, Baltimore, Boston and Washington, 1 in 3.

The proportion of the Federal budget that has gone for AFDC has increased 6,800 percent from 1937 to 1974.

When we talk about welfare reform, that is a sizable portion of the program that we are talking about, is it not?

Mr. CALIFANO. Yes, it is.

Senator CURTIS. Would you welcome—not in this forum, but assuming you assume the office of the Secretary of HEW, would you offer some concrete suggestions on specifics as what could be done?

Mr. CALIFANO. Absolutely. I was suggesting to Chairman Long and Mr. Stern, as far as the committee staff is concerned, I would certainly want to have concrete suggestions from every member of this committee and everyone interested in this problem. It is a difficult problem.

Senator CURTIS. I have one right here. I will not ask you to comment. I know you are serious about this.

In the last Congress, there was introduced S. 1719, with a long list of cosponsors. Nine were members of this committee. And it is so easy to make a speech for welfare reform, it is so easy to generalize.

In this, we dealt with specifics. If one of the messengers would deliver it to you, you can take it with you. I would like to ask the chairman if a copy also could be incorporated into the record.

The CHAIRMAN. Without objection, agreed.

[A copy of the bill S. 1719, follows:]

94TH CONGRESS
1ST SESSION

S. 1719

IN THE SENATE OF THE UNITED STATES

MAY 13 (legislative day, APRIL 21), 1975

Mr. CURTIS (for himself, Mr. BARTLETT, Mr. BROCK, Mr. BUCKLEY, Mr. HARRY F. BYRD, JR., Mr. DOLE, Mr. FANNIN, Mr. GOLDWATER, Mr. HANSEN, Mr. HELMS, Mr. HRUSKA, Mr. LAXALT, Mr. LONG, Mr. McCLURE, Mr. ROTH, Mr. WILLIAM L. SCOTT, Mr. TALMADGE, Mr. THURMOND, and Mr. TOWER) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend title IV of the Social Security Act to improve and make more realistic various provisions relating to eligibility for aid to families with dependent children and the administration of the aid to families with dependent children program, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*
 3 That this Act may be cited as the "National Welfare Reform
 4 Act of 1975".

5 **GROSS INCOME LIMITATION ON TOTAL FAMILY NEED**

- 6 **SEC. 2.** Section 402(a)(8) of the Social Security Act
 7 is amended by adding at the end thereof (after and below
 8 subparagraph (D)) the following: "and except that in no

1 event shall any family be eligible for aid to families with
2 dependent children if its total income, without regard to
3 exclusions, exceeds 150 per centum of the family's needs;".

4 REDETERMINATION OF ELIGIBILITY WITHOUT EARNINGS

5 EXEMPTION

6 SEC. 3. Section 402 (a) (8) (A) (ii) of the Social Secu-
7 rity Act is amended by inserting after "the provisions of this
8 clause (ii) shall not apply" the following: "in determining
9 the eligibility for aid of any applicant or reapplicant, or to the
10 earned income of any recipient of aid after such income has
11 been received for a period in excess of four consecutive
12 months, or".

13 OPTIONAL USE OF STANDARD WORK-RELATED EXPENSE

14 DEDUCTION

15 SEC. 4. Section 402 (a) (7) of the Social Security Act is
16 amended by adding after the semicolon at the end thereof the
17 following: "except that the calculation of such reasonably
18 attributable employment expenses may, at the option of the
19 State, be based on a fair averaging of work-related expenses
20 of all employed persons residing in such State and receiving
21 aid under the plan;".

22 FEDERAL RESPONSIBILITY FOR AID TO ALIENS

23 SEC. 5. Section 401 of the Social Security Act is
24 amended by inserting "(a)" after "SEC. 401.", and by add-
25 ing at the end thereof the following new subsection:

1 “(b) Notwithstanding any other provision of law, the
2 Secretary shall provide 100 per centum Federal financial
3 participation for aid and services (including administration)
4 under this part and title XX to needy families with children
5 or any persons in such families who are not citizens of the
6 United States. Nothing in this title shall be construed to per-
7 mit provision of aid and services to any person who is not
8 lawfully present in the United States.”.

9 MODIFIED SANCTION PROCESS FOR EMPLOYABLE AID TO
10 FAMILIES WITH DEPENDENT CHILDREN RECIPIENTS

11 SEC. 6. (a) Section 407 (b) (1) (B) of the Social Se-
12 curity Act is amended to read as follows:

13 “(B) such father has not for a period of ninety
14 days voluntarily terminated employment or refused a
15 bona fide offer of employment or training for employ-
16 ment without good cause, or refused to seek work or
17 otherwise and purposely made himself unavailable for
18 employment or training for employment without good
19 cause; and”.

20 (b) Section 402 (a) (19) (F) of such Act is amended
21 to read as follows:

22 “(F) that if and for so long as any child, relative,
23 or individual has been found by the Secretary of Labor
24 to have refused without good cause to accept employ-
25 ment in which he is able to engage which employment

1 is offered through the public employment offices of the
2 State, or is otherwise offered by an employer if the of-
3 fer of such employer is determined, after notification by
4 the employer, to be a bona fide offer of employment, or
5 if certified to the Secretary of Labor pursuant to sub-
6 paragraph (G), has been found by the Secretary of
7 Labor under section 433 (g) to have refused without
8 good cause to participate under a work incentive pro-
9 gram established by part C with respect to which the
10 Secretary of Labor has determined his participation is
11 consistent with the purposes of such part C—

12 “(i) if the relative makes such refusal, such
13 relative’s needs shall not be taken into account in
14 making the determination under clause (7) and if
15 such relative is the only eligible caretaker in the
16 family, aid for any eligible child shall be provided
17 in the form of protective payments as described in
18 section 406 (b) (2) but without regard to the limi-
19 tations of subparagraphs (A) through (E) of such
20 section and section 408;

21 “(ii) aid with respect to a dependent child will
22 be denied if a child who is the only child receiving
23 aid in the family makes such refusal;

24 “(iii) if there is more than one child receiving
25 aid in the family, aid for any such child will be de-

1 nied (and his needs will not be taken into account
2 in making the determination under clause (7)) if
3 that child makes such refusal; and

4 “(iv) if such individual makes such refusal,
5 such individual’s needs shall not be taken into ac-
6 count in making the determination under clause
7 (7); and”.

8 (b) Section 402 (a) (19) of such Act is amended by
9 striking out “and” at the end of subparagraph (F), by add-
10 ing “and” at the end of subparagraph (G), and by adding
11 at the end thereof the following new subparagraph:

12 “(II) that an individual certified to the Secretary of
13 Labor pursuant to subparagraph (G), and, if he is an
14 unemployed father as defined in section 407, his spouse,
15 and his dependent child as defined in sections 406 (a)
16 and 407 (a), shall be ineligible for aid and services as
17 specified below, if such individual is determined to have,
18 without good cause, failed to participate under a work
19 incentive program; required participation includes—

20 “(i) reporting for an interview with the Sec-
21 retary of Labor;

22 “(ii) accepting a referral to employment or a
23 work assignment;

24 “(iii) actively and demonstrably searching for
25 employment;

6

1 “(iv) reporting the results of referrals;

2 “(v) accepting employment, participation in a
3 work assignment, or training;

4 “(vi) continuing employment or participation
5 in a work assignment; or

6 “(vii) participating in a work incentive pro-
7 gram established by part C.

8 Where the individual is enrolled in the work incentive
9 program, the determination of good cause will be made
10 by the Secretary of Labor; where the individual is not
11 enrolled in the work incentive program, the determina-
12 tion of good cause will be made by the unit established
13 pursuant to subparagraph (G). No sanction shall be ap-
14 plied under this subparagraph for ten days after failure
15 without good cause has been determined, during which
16 time the individual shall be offered counseling or other
17 services (which the State agency shall make available
18 to such person) aimed at persuading him to participate
19 as required by this subparagraph; except that a sanction
20 shall be applied during such ten-day period if the indi-
21 vidual refuses to accept counseling or other services; the
22 duration of ineligibility shall be as follows:

23 “(i) for the first failure without good cause,
24 the period of ineligibility shall extend for three
25 months;

1 “(C) that any person who makes full and com-
2 plete disclosure of those facts as explained to him
3 pursuant to subparagraph (A) is entitled to rely
4 upon the award of aid as being accurate, and that
5 the warrant he receives correctly reflects the award
6 made, except that the State or political subdivision
7 paying the aid shall be allowed a period of twelve
8 months following a month of discovery, or twelve
9 months following a fair hearing if requested, within
10 which to adjust any changes in the amount of grant
11 resulting from changes in income or need which
12 occur or are reported too late to be reflected in the
13 grant for the current month, or because of admin-
14 istrative error or inadvertence, except that such
15 twelve-month limitation shall not apply to any over-
16 payment which results because of the willful failure
17 to report facts in accordance with subparagraph (B)
18 or because of any willfully fraudulent device; cur-
19 rent and subsequent grants may be reduced because
20 of prior overpayments by no more than 25 per
21 centum of the recipient’s grant that would ordinarily
22 and correctly be received if no overpayment had
23 occurred.”.

1 DEDUCTION OF AID TO FAMILIES WITH DEPENDENT CHIL-
2 DREN EARNINGS INCENTIVE FROM NET INCOME
3 RATHER THAN GROSS INCOME

4 SEC. 9. Section 402 (a) (8) (A) (ii) of the Social Se-
5 curity Act is amended:

6 (1) by striking out "such earned income" and in-
7 serting in lieu thereof "the net earned income, taking
8 into consideration all exclusions made under this subsec-
9 tion or otherwise,"; and

10 (2) by striking out "such income" and inserting in
11 lieu thereof "such net income".

12 PROHIBITION AGAINST AID TO FAMILIES WITH DEPENDENT
13 CHILDREN PAYMENTS WHERE THE CARETAKER RELA-
14 TIVE IS UNEMPLOYED DUE TO PARTICIPATION IN
15 STRIKE OR VOLUNTARY TERMINATION OF EMPLOY-
16 MENT

17 SEC. 10. Section 406 of the Social Security Act (as
18 amended by section 7 of this Act) is amended by adding at
19 the end thereof the following new subsection:

20 "(g) Notwithstanding the provisions of subsection (b)
21 the term 'aid to families with dependent children' does not
22 mean payments with respect to a parent (or other individual
23 whose needs such State determines should be considered in
24 determining the need of the child or relative claiming aid un-
25 der the plan of such State approved under this part) of a

1 child if, and for so long as, (1) such child's parent or care-
2 taker relative has abandoned or suspended work because of a
3 strike or any other labor dispute (other than a lockout) as
4 defined in title 29 of the United States Code, (2) such parent
5 or caretaker relative has within ninety days voluntarily and
6 without good cause terminated employment: *Provided*, That
7 any aid for which such child is eligible will be provided in
8 the form of protective payments as described in subsection
9 (b) (2) (which in such case shall be without regard to
10 clauses (A) through (E) thereof)."

11 PROHIBITION AGAINST PAYMENT OF ATTORNEYS'

12 FEES TO FEDERALLY FUNDED ATTORNEYS

13 SEC. 11. (a) Section 1007 (b) of the Economic Oppor-
14 tunity Act of 1964 is amended—

15 (1) by inserting "directly or indirectly" after
16 "used" in the matter preceding paragraph (1); and

17 (2) by striking out "(except in accordance with
18 guidelines promulgated by the Corporation)" in para-
19 graph (1) and inserting in lieu thereof ", including one
20 where court-awarded or statutorily provided attorneys'
21 fees are available, unless the right thereto is conclusively
22 waived and any tender of such fees or any opportunity
23 to influence the disposition of such fees is completely and
24 permanently rejected".

- 1 (b) Section 1007 (a) (4) of such Act is amended—
2 (1) by striking out “and” immediately before
3 “(B)” ; and
4 (2) by inserting before the semicolon at the end
5 thereof the following: “, and (C) accepting a fee from
6 any source (including a statutory or judicial award) for
7 engaging in such legal assistance activities”.

8 **DEFINITION OF INCOME**

9 **SEC. 12.** Section 406 of the Social Security Act (as
10 amended by sections 7 and 10 of this Act) is amended by
11 adding at the end thereof the following new subsection:

12 “(h) (1) The term ‘income’ means any benefit in cash
13 or in kind which is currently available to the individual or
14 family or is received as a result of current, past, or prospec-
15 tive labor or services, business activities, interests in real or
16 personal property, or as a contribution from persons, organi-
17 zations, or assistance agencies or under a program of social
18 insurance unless specifically exempted by other statute of
19 the United States.

20 “(2) Income shall be considered to be available if the
21 individual or family has only to file claim for or accept such
22 income, including assistance or social insurance payments
23 from governmental agencies or unconditional offers of gifts
24 or contributions from any source (but not including any

1 statutory program which is designed to supplement the max-
2 imum grant).

3 “(3) Income ‘in kind’ means the value of any benefit
4 other than cash and shall include but not be limited to:

5 “(A) the value of housing and utilities provided
6 by nonneedy relatives, including stepparents, or other
7 nonneedy persons, appropriately adjusted to take ac-
8 count of any contributions made as required under sec-
9 tion 402 (a) (3) (B), except that such value insofar as
10 it exceeds 30 per centum of the grant shall not be taken
11 into account;

12 “(B) the value of the excess of the pro rata share
13 housing and utilities arising when housing is shared by
14 more than one family or individual receiving benefits
15 under this title or title XVI; each recipient’s share shall
16 be calculated by dividing the total actual cost of housing
17 and utilities by the number of recipients of assistance
18 under this title or title XVI who reside in the housing
19 unit.”.

20 **FEDERAL FINANCIAL PARTICIPATION IN THE INVESTIGA-**
21 **TION AND PROSECUTION OF FRAUD**

22 **SEC. 13.** Part A of title IV of the Social Security Act
23 is amended by adding at the end thereof the following new
24 section:

1 "FEDERAL PARTICIPATION IN THE INVESTIGATION AND
2 PROSECUTION OF FRAUD

3 "SEC. 410. (a) From the sums appropriated for expend-
4 iture under this title, the Secretary shall direct payment
5 through the appropriate State agency to any State and/or
6 political subdivision of a State an amount equal to 75 per
7 centum of the expenditures made by such State or political
8 subdivision thereof for the investigation and prosecution of
9 complaints of fraud arising under this title or title XIX, as
10 amended, *Provided*, That the agency of the State or political
11 subdivision thereof conducting such investigation or prosecu-
12 tion is a law enforcement agency.

13 "(b) The Secretary shall prescribe the manner in
14 which such Federal financial participation shall be claimed
15 by such State or political subdivision."

16 EIGHTEEN-YEAR-OLDS' ELIGIBILITY

17 SEC. 14. Section 406 (a) (2) of the Social Security Act
18 is amended to read as follows: "(2) who is under the age
19 of eighteen;"

20 STATEWIDE REQUIREMENT FOR SOCIAL SERVICES

21 SEC. 15. Section 402 (a) (1) of the Social Security Act
22 is amended by striking out the semicolon at the end thereof
23 and inserting in lieu thereof " , except that this requirement
24 shall not apply to plans for social services under this title;"

1 **RECIPIENT IDENTIFICATION CARD**

2 **SEC. 16.** Section 402 (a) of the Social Security Act (as
3 amended by section 8 of this Act) is amended—

4 (1) by striking out “and” at the end of paragraph
5 (27);

6 (2) by striking out the period at the end of para-
7 graph (28) and inserting in lieu thereof “; and”; and

8 (3) by adding after paragraph (28) the following
9 new paragraph:

10 “(29) require that each State or political subdivi-
11 sion thereof administering programs under title IV and
12 title XIX as amended promptly issue an identification
13 card to each recipient determined eligible for such pro-
14 grams. No recipient shall be issued more than one identi-
15 fication card regardless of the number of programs for
16 which such recipient is determined eligible. The identi-
17 fication card shall include but not be limited to the
18 following items identifying the recipient:

19 “(A) a color photograph;

20 “(B) name, address and social security
21 number;

22 “(C) the left and right thumb prints;

23 “(D) the State in which issued;

24 “(E) the issuance and expiration dates;

1 viding housing may require a joint payee agreement as
2 a condition of renting or leasing.”.

3 CONTINUED ABSENCE DEFINITION

4 SEC. 18. Section 406 (a) of the Social Security Act is
5 amended by adding after “by reason of the death,” the
6 following “desertion, abandonment, divorce, legal separa-
7 tion, institutionalization, or incarceration resulting in con-
8 tinued absence in excess of thirty days,” and by striking
9 out “continued absence from the home,”.

10 NONWAIVER OF ARREARAGES

11 SEC. 19. (a) Section 456 (a) of the Social Security Act
12 is amended by inserting after “to such State” the following:
13 “and to the United States”.

14 (b) Section 456 of such Act is further amended by add-
15 ing at the end thereof the following new subsection:

16 “(c) A debt to a State and to the United States
17 created by this section shall not be subject to waiver or
18 dismissal except on full satisfaction of the amount owned.”.

19 COMMUNITY WORK TRAINING

20 SEC. 20. (a) Section 204 (c) (2) of Public Law 90-
21 248 is repealed.

22 (b) The first sentence of section 409 (a) of the Social
23 Security Act is amended by striking out “18” and inserting
24 in lieu thereof “16”, and by striking out “payments for work
25 performed in such month” and inserting in lieu thereof

1 "assistance payments for which eligibility is condition upon
2 participation in a community work-training program".

3 (c) Section 409 (a) (1) (B) of such Act is amended to
4 read as follows:

5 " (B) no participants shall be entitled to payment
6 for participation in the program but that in such case
7 participants shall not be required to participate in the
8 program for a period of time which would result in a
9 total number of hours per month, which, if compared to
10 the amount of the grant, in relation to the Federal mini-
11 mum wage, would result in a ratio that would be less
12 than such minimum wage. Nothing in this section shall
13 entitle any participant to any payment for work per-
14 formed or to any other work or training expense pro-
15 vided under any other provision of law except that
16 participation shall not result in any cost to a participant
17 and provisions shall be made for transportation and costs
18 reasonably necessary and directly related to participation
19 in the program;"

20 (d) Section 409 (a) (1) of such Act is further amended
21 by striking out "and" at the end of subparagraph (F), by
22 adding "and" after the semicolon at the end of subparagraph
23 (G), and by adding after subparagraph (G) the following
24 new subparagraph:

1 residing in the same household with a family receiving
2 assistance under this title together with the names of the
3 members of such family and the name of the State agency
4 which submitted the request, the Secretary of the Treasury
5 or his delegate shall endeavor to ascertain whether the non-
6 needy person claimed as dependents for purposes of income
7 tax deduction any of the named members of the family and
8 shall certify his findings to the State agency which submitted
9 the request within thirty days of such request.”.

10 (b) Section 402 (a) of such Act (as amended by sec-
11 tions 3 and 15 of this Act) is further amended—

12 (1) by striking out “and” at the end of paragraph
13 (28) ;

14 (2) by striking out the period at the end of para-
15 graph (29) and inserting in lieu thereof “; and”; and

16 (3) by adding after paragraph (29) the following
17 new paragraph :

18 “(30) (A) provide criminal sanctions for any per-
19 son who willfully and knowingly receives or uses any
20 part of an assistance grant paid pursuant to this title
21 for a purpose other than support of the eligible needy
22 children and their caretaker;

23 “(B) provide that any person who resides in the
24 same household as the eligible family, whether or not
25 related, but who is not himself eligible for aid under

1 this title shall be required to make a contribution to the
2 State agency or the agency of its political subdivision
3 which administers the plan, which contribution shall be
4 an amount equal to the amount of the payment stand-
5 ard for a single person household under the State's
6 plan; and

7 “(C) provide in any case in which deprivation is
8 based upon the absence of a parent, the State agency
9 shall require any person who resides in the same house-
10 hold as the eligible family, whether or not related, and
11 who is not himself eligible, to sign an affidavit under
12 penalty or perjury stating his name and social security
13 number and whether such person is providing or has
14 within the previous five years provided support for any
15 of the members of the eligible family and the amount
16 of such support, if any, and as to whether such person
17 has claimed any members of such family as dependents
18 for purpose of Federal or State income tax deduction
19 within the previous five years and the years for which
20 such claims of dependency were made, if any; the State
21 agency shall transmit to the Secretary of the Treasury
22 or his delegate the name and social security number of
23 each such person and the names of each eligible family
24 member resident in the same household with a request
25 that the Secretary of the Treasury or his delegate certify

1 whether such person has claimed any of the members of
2 the eligible family as a dependent for purposes of income
3 tax deduction; nothing in this section shall preclude the
4 State agency from obtaining a certification of State
5 income tax claims of dependency; in the event that
6 such ineligible person has declared by affidavit that he
7 has not provided support for any members of the eligible
8 family and such declaration is contradicted by the certifi-
9 cation of the Secretary of the Treasury or his delegate,
10 the State agency shall transmit to the Secretary of the
11 Treasury or his delegate for further investigation copies
12 of the affidavit and of the certification by the Secretary
13 of the Treasury: *Provided*, That nothing in this section
14 shall preclude the State from pursuing a prosecution
15 for perjury or for violation of the tax laws of the State.”.

16 ALLOTMENTS OF MILITARY WAGES FOR CHILD SUPPORT

17 SEC. 23. (a) Section 701 (d) of title 37, United States
18 Code, is amended—

19 (1) by striking out “may allow” and inserting in
20 lieu thereof “shall require” in the first sentence; and

21 (2) by striking out “, or for any other purpose” and
22 inserting in lieu thereof the following: “to whom he
23 owes a duty of support as determined by or under the
24 laws of the State or States in which such relatives

1 reside, and may allow allotments from his pay for any
2 other purpose" in the first sentence.

3 (b) Section 702 of title 37, United States Code, is
4 amended by striking out "may permit an officer" and all
5 that follows and inserting in lieu thereof the following:
6 "shall require a member of the Navy or Marine Corps to
7 make allotments of his pay for the support of his family or
8 relatives to whom he owes a duty of support as determined
9 by or under the laws of the State or States in which such
10 family or relatives reside, and may permit an officer of the
11 Navy or Marine Corps to make allotments of his pay—

12 “(1) for his own savings; or

13 “(2) for other purposes.”.

14 (c) Section 703 of title 37, United States Code, is
15 amended by inserting before the period at the end thereof
16 the following: “; and are required to make allotments of
17 their pay to members of their families or relatives to whom
18 they owe a duty of support as determined by or under the
19 laws of the State or States in which such families or relatives
20 reside”.

Senator CURTIS. The Congress is responsible for many of these programs, the enactment of all of them, and I think we are responsible for some of the growth and error, but not all of it is our responsibility.

When Secretary Cohen was in charge of HEW, one of his last days in office he, with the stroke of a pen, added very materially to the cost of the AFDC and by change of regulation. I do not know when he changed them. It was referred to by his critics as the mid-night regulations. What he did was change the formula.

An AFDC person has certain income. Assuming it is a woman and her children, they do not count the work-related expenses, and then she is allowed \$30 and then a third of the other.

Well, the first method of computing that, if a recipient has \$630 income and they are on AFDC, the way the regulations were, they would be entitled to a grant of \$100 a month in a particular size category. He reversed the formula, and that same person was entitled to a grant of \$150.

In other words, by a stroke of the pen, he increased the cost of AFDC, at least in some cases, by 50 percent.

Can we have an assurance that no such increase in cost would be done by regulation again without presenting it to this committee?

Mr. CALIFANO. Senator, I am not familiar with what Secretary Cohen did, precisely. I would say that I know him well, as I am sure you do, and the chairman does. I am sure he did what he did for good reason. He is one of the finest and most extraordinary human beings that I have ever known in my whole entire life.

I will issue regulations that are in compliance with the laws that the Congress passes.

Senator CURTIS. Mr. Chairman, I ask permission to insert the example I referred to in the record.

The CHAIRMAN. Without objection.

[The material referred to follows:]

EXAMPLE: WORK-RELATED EXPENSES AND EARNINGS EXEMPTION FORMULA

Person with outside income of \$630, work-related expenses of \$150. Grant \$400 per month after nonexempt income and expenses deducted.

Method prior to Cohen change:

Gross income.....	\$630
Deduct work-related expenses from gross income.....	-150
Subtotal	480
Deduct 1st \$30.....	-30
Subtotal	450
Less 1/3 of remainder.....	-150
Subtotal, nonexempt income.....	300
Subtract nonexempt income from grant entitlement.....	400
Less nonexempt income.....	-300
Total, grant.....	100

Method after Cohen change:

Gross income.....	680
Deduct 1st \$80.....	-80
Subtotal	600
Less 1/3 of remainder.....	200
Subtotal	400
Deduct work-related expenses.....	-150
Subtotal, nonexempt income.....	250
Grant entitlement.....	400
Subtract nonexempt income.....	-250
Total, grant.....	150

Note the grant is \$50 higher in the second case than in the first. That is because 1/3 of the work-related expenses are deducted twice (1/3 of \$150=\$50).

When multiplied by the total number of recipients who can take advantage of this, the total additional expenditures can be very great.

Senator CURTIS. On a different subject, the Food and Drug Administration is in HEW, is it not?

Mr. CALIFANO. Yes, sir.

Senator CURTIS. Various medical services, medicare and medicaid, are in HEW, are they not?

Mr. CALIFANO. Yes, sir.

Senator CURTIS. Of course, the social security. We are losing our doctors in my State, in spite of all of the efforts to get doctors. There is one doctor in the county seat who started to practice some years ago. He had one office girl, now he has three, trying to keep up with Government forms, so he just quit. He quit; could not keep up.

Here the Food and Drug Administration, the medical programs, and the social security all are under one roof, and they have different inspections, different reports. They ask the doctors and the druggists for the same information many times.

Do you think that this would be a good place to start centralizing where it is all in the Department of Health, Education, and Welfare, one questionnaire for all three when they needed a questionnaire?

Do you think that would be a worthwhile project, to see if that could be done?

Mr. CALIFANO. Senator, I think that anything that can be done like that to simplify this kind of thing would be important, and I think, as I mentioned before, that one of the ingredients of being able to do these kinds of things, if I am Secretary, is for the Congress to give some consideration to giving the Secretary of that Department some discretion with respect to programs that are set up and established and legislated directly to specific bureaus.

To put it another way, if you are willing to give me the discretion to do things like that, I am more than willing to look for every opportunity to do them and putting a lot into effect.

Senator CURTIS. Let us make a deal. If you will give to the citizens the same discretion so that if some citizen gets, or school official, doctor or anybody else, he gets a questionnaire—I do not know how many—and unless that questionnaire is specifically authorized by statute, then he does not have to return it unless he wants to, receive no penalty, no citation, no second letter, and his program will not be cut.

I think that that would save millions of dollars in storage here in Washington, because I know you will not get any reports from Nebraska. How much it would save on the people who read them—it is not only the Department of which you are concerned, but we used to have a census once every 10 years. Very few months go by when my constituents write me, they get a long thing to fill out for the census.

There is no authorized census period, but they get threatening letters that they are subject to penalty if they do not do that.

I believe that that is not the answer, that we should give a little more discretion to the people back home and it will cut a little more of your workload, and you would not have to spend so much time finding storage space for files.

My time has expired.

The CHAIRMAN. Senator Zorinsky.

Senator ZORINSKY. Mr. Califano, I think even though you replied as not having any definitive statement to make on the question that Senator Byrd solicited, I think that it is worth at least exploring the nature of the social security program.

There is a whole lot of talk of actuarial soundness. In 1955, five people were working and paying in for each person on social security. Now there are three people left for each one drawing social security. In 1985, it is predicted there will be only two people paying into the social security program.

Inasmuch as our fire and security people are exempt by law from the social security program, have their own pension program, those same dollars that they put in their program generate in excess again half as many benefits if they had been paying those dollars into social security.

My question is, do you feel that Government and the bureaucracy, can get their house in order to the extent that we, in Government, can compete with private pension programs—to generate and insure the fact that the citizens who do put money in, who work hard all their lives, who slave hard, save their dollars, put it in social security, now hear talk about the actuarial unsoundness of the social security program?

In addition to that, as Senator Byrd pointed out, by the nature of the inflationary spiral in this country, it has forced people on social security—the elderly specifically—to attempt to obtain jobs because they cannot live on that fixed amount of dollars any longer.

As a businessman, I have had elderly people apply to me and say, "Would you put half of my paycheck in my sister's name, because if you put it all in my name, it will exceed the amount of dollars I am allotted and then I will not be able to draw my social security?"

I think that we have to keep the elderly in the mainstream of life. I think that we have to do what we can as a governmental body to assure a decent life for the elderly who have built this country of ours, and who I feel we owe the mantle of accepting the future of this country.

Mr. CALIFANO. As I indicated to Senator Byrd, I will look at that. As far as the elderly are concerned, I share your commitment. I think that we have a great deal to learn about the treating of the elderly citizen in this country with dignity and compassion and we can do a lot better than we have.

I will try my best to do that, and I will look at this question that both you and Senator Byrd raised about the social security system. I will say one thing, that the viability of the social security system is guaranteed.

During the Carter administration, and during my administration as Secretary of HEW, we will make absolutely certain that that system is not, in any way, endangered. It is a treasure for our older Americans, and we will make sure that it is preserved.

Senator ZORINSKY. The dollars that they receive, we can guarantee only because we are going to pay for it. I want to assure the taxpayers of this country that the dollars they provide for that actuarial soundness that is guaranteed; that it is spent with the maximum amount of effort to produce and generate those dollars that are necessary to provide the funding.

Mr. CALIFANO. I understand that, Senator, and in direct response to that, I will do my best to do that, too.

Senator ZORINSKY. How do you feel on withholding educational dollars to schools for noncompliance of busing students?

Mr. CALIFANO. As far as title VI is concerned, let me say I think title VI is a very important statute. I think that desegregation of schools is a very important goal. But I do not think schools can do it all.

I think that they are bearing a tremendous amount of the load because of discrimination in all other facets of our society, such as where people are permitted to live or the amount of economic opportunity that black people have, which opportunity has been denied for generations. I think that the desegregation and the provision of equal opportunity for children whether they are black or white is an imperative goal of our society, and it is the constitutional goal of our society.

The way title VI is now written, the alternatives available to the Secretary of Health, Education, and Welfare in order to assure the achievement of that goal, are either to cut off funds and/or just negotiate. Now we have to look for other tools. But where there is an egregious violation of the civil rights of children. I think that that is the tool the Congress has been given to be used, and that tool is one that the Secretary should not shrink to use.

It is a very serious, difficult, complex, controversial problem.

When we hurt a child, we hurt somebody for the next 60 years. In my judgment, we have hurt disgracefully thousands of black children in this country over the past 30 years.

Senator ZORINSKY. My concern is that everyone stereotypes but one solution to the problem—that being busing. There are things like magnet schools, things like open housing. There is equal opportunity employment that should be enforced, that currently is not being enforced.

Mr. CALIFANO. Senator, absolutely. I agree with you 100 percent on that.

We have to look for other enforcement mechanisms in addition to this, because part of this tool is directed at the children, not at school officials or other officials who have moved to perpetuate or maintain situations like this.

I agree with you, and I think that we should recognize that the school system cannot do it all. It can do part of the job.

There is an important role for open housing. Senator Long has consistently spoken throughout his career, on this whole problem of jobs and getting people trained and getting people working. But if you do get to that, and then you reach a point where they have some money to move somewhere, the Congress has got to appropriate the funds to vigorously enforce open housing laws so that a black man or an Indian or somebody like that can move into a neighborhood where there is a decent and first-class school.

I also think that the problem is education. The problem is providing an educational opportunity to people, and we have to provide enough funds to do that. The title I funds have, in real dollars, been reduced in the last 8 years.

Senator ZORINSKY. Have you spoken to educators around the country to assure that busing has, in effect, obtained an equal level of education for the students?

Mr. CALIFANO. Busing in the abstract is hard to talk about, Senator. In some places, obviously, it appears to have created serious problems, but there are other places in the country where it appears to have worked. One place right here, for all of us to look at, is Prince George's County.

Senator ZORINSKY. I am not talking about peaceful busing as opposed to the other type. I am talking about the mental ability of the children with whom we are all concerned obtaining an equal level of education, because I have been in the U.S. Conference of Mayors, talked to mayors who have been involved for 2 or 3 years. They have indicated to me that in no way does it provide an equal level of education.

The city of Omaha just initiated busing this past September. Our superintendent of schools is telling me that, in effect, it has decreased the level of education.

Mr. CALIFANO. I have talked to some educators, and I will talk to a lot more, and I will learn a lot more about this subject, I am sure, in the next several years.

My mother was a school teacher in New York City for 35 years in the public schools in Brooklyn, a superb public school system at that time.

It is to me patently apparent that the school child in some of the worst parts of Harlem, to take an example, or, some of the worst parts of Bedford-Stuyvesant is better off going to a school outside of that area than a school in that area.

The task of making those schools in those areas better is a function shared by the Federal Government and the State government and the local government, and one of the roles of the Federal Government is the provision of funds for commitments like that.

We all have to look at commitments like that. The funds have gone down, in real dollars, over the last 8 years, and the schools have suffered because of that.

I do not think busing is a panacea. Despite repeated rejections by the Congress for 4 years of the fair housing legislation, President Johnson sent it up again in 1968 and he said at that time that we can use all kinds of tools: we can bus children, we can use all kinds of tools to try and equalize educational opportunity, or make our Nation one. But there is no substitute for people living together, no substitute

for you and me finding out in real human terms that a black man or an Indian man or an Eskimo from Senator Gravel's area, or a woman, have the same concerns, same insecurities, same aspirations as we have, and they are indeed very much the same as we are, and until we have a society like that, there will be a variety of tools, and some of them will be controversial, and we have to use them with care.

Busing is one of those tools that the Supreme Court has determined should be used. Title VI is a law that the Congress passed to impose upon the Department to assure that there is no discrimination in school systems. I will do my best in this area.

I must say that I feel deeply that we have badly shattered children in this country, and have badly shattered a special group of children, and we have to do something about it.

Senator ZORINSKY. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Dole?

Senator DOLE. I just have a few questions. It was touched on earlier about who should administer the food stamp program, and the various child nutrition programs such as the WIC program for women, infants and children—both now administered by the USDA.

Senator CURTIS. The Department of Agriculture budget is over \$14 billion, and two-thirds of it is welfare, various feeding programs, school lunches, hot breakfasts, all of that sort of thing, and the big item is food stamps.

Senator DOLE. The point is, I serve on the Agriculture Committee. I know that maybe we have one view, but there is a feeling, I think, that the food stamp program could be better administered by the Department of Health, Education, and Welfare.

Do you have any fixed views on this, or any ideas at all?

Mr. CALIFANO. Senator, I really do not have any fixed views on it. I do think it is part of looking at government reorganization, it is part looking at welfare reform.

HEW does not need to reach out and seek for any additional programs. We should do it in a way that is the most efficient and humane to do it, but I have no predisposed notions on it, and I would be happy to have your views and anybody else's.

Senator DOLE. One problem is, as Senator Curtis points out, that the budget for USDA is primarily for social programs, and many times those in Agriculture feel that the public may misunderstand that we are spending a great deal of money on farm programs. That is not a fact.

They look at the agriculture budget and they see it is very large, and they assume that all this money, or a great deal of it, is going to farmers for some subsidy, or some conservation program.

Maybe it is a matter of public relations, but it does pose a problem.

But I think you are right. The real problem is how can it be done most efficiently, how can we reach those in need and eliminate those who should not be in the program.

With reference with social security, do you have any ideas of what the upper limits should be on the social security tax rate? Today, it is about 12 percent, if you look at 5.85 for the employer and 5.85 for the employee. It is on a base now of \$16,500. That costs the employee more than \$900 a year, more than he pays in income taxes, generally.

Should there be some limit, or do you have any idea of what the limit might be?

Mr. CALIFANO. Senator, I do not. I need to look at this, I need to learn more about it. I need to talk to you and your staff as well as the people in HEW. As soon as I do, I will share them with you. I do not have any ideas at this time.

Senator DOLE. I mentioned earlier about interest in the disabled. I probably should include a political disability in there, to include Republicans. I assume the doors are open at HEW?

Mr. CALIFANO. The doors are wide open.

Senator DOLE. People going out, or people coming in?

[General laughter.]

Mr. CALIFANO. This is a time of change. I guess I was going out in 1969. I hope I will be going in.

Senator DOLE. There probably will be one Republican who will be found there.

Mr. CALIFANO. Senator, you will be happy to know of the people I have interviewed—and I have interviewed quite a few—I have not asked a single one of them whether they are Democrat or Republican. I think that building is so complex that we have to try to get the best people, and try to deal with it.

Senator DOLE. I have some recommendations—in fact, I have a recommendation for an outstanding Democrat in my state, Dr. Bill Roy.

Mr. CALIFANO. I have heard from him.

Senator DOLE. We helped the doctor shortage. He is back practicing medicine. He is very capable and is interested in HEW. I am certain you are aware of it.

Thank you, Mr. Chairman.

The CHAIRMAN. We have had two rounds of questioning. I would hope that if the Senators have any further questions, they would consider submitting them.

If they have further questions I will call on them.

Senator Byrd?

Senator BYRD. If I may just ask two or three questions.

Mr. Califano, in view of the Democratic platform and the current state of our economy, what priority would you place on the enactment of a national health insurance program?

Mr. CALIFANO. It is obviously one of the centerpieces, hopefully, of the Carter administration. We, in my judgment, will take time to study that program. My sense of my priorities, although I would like you to understand that they are tentative, is that the No. 1 priority is the tax stimulus package and the job package that Governor Carter discussed with Chairman Long and others last week, that another priority on which we would hope to have proposals this year, although the program would be incremental, I am sure, in terms of phasing it in would be in the area of welfare reform.

At this point, I would not anticipate our proposing a major national health insurance Carter administration proposal, in this calendar year, but that is a tentative judgment and I have to review all of the other things that have to be done.

Senator BYRD. How would you assess the quality of health care in the United States today compared to that in Great Britain, Germany, the Soviet Union, others?

Mr. CALIFANO. I guess I am not equipped to answer that question. I think obviously we have some of the finest hospitals and best doctors in the world. I am not familiar enough with our systems versus other systems to make that comparison.

Senator BYRD. One final question. You were quoted in the Washington Post on December 28 as having said in regard to welfare reform that it cannot be done until the Federal budget permits greater expenditures in this area.

Do I gather from that that you feel that the purpose of welfare reform is to increase the cost of welfare?

Mr. CALIFANO. Senator, it seems to me that there are two pieces of welfare reform. One piece of it, which hopefully can proceed promptly, is to improve the administration of the program, make it more efficient than it now is and make it more decent in the human terms of dealing with the people.

To the extent that we can do it administratively, I will try to do it as fast as possible.

The second part of welfare reform is a rubric for all these income maintenance programs and problems, including the food stamp program that Senator Dole recommended. What do you do with those people? And there are very few who are on welfare—less than 10 percent—who are capable of working. Employable males on welfare are a very, very small group. What kind of programs do you have for them? Carve them out, identify them with fairness and decency.

The other part of welfare reform, which goes to all of these questions, is the amount of money and of services that someone who is incapable of caring for themselves—the blind, old, disabled—needs in order to live at some minimum level of human dignity, and with some peace of mind.

Another part of the program is what happens to the AFDC program, what happens when you are dealing with mothers and their minor children? What kind of facilities are available to the extent of mothers who would want to work to take care of their children?

When you look at that whole package, it seems to me that it is unrealistic to look at it and think that it would not cost additional funds in order to get it done.

My statement was simply that there is a relationship between economic recovery and the way in which you phase in a welfare reform proposal.

Senator BYRD. Your answer implies that it would cost more?

Mr. CALIFANO. Yes, sir.

Senator BYRD. Thank you.

The CHAIRMAN. Thank you very much.

Are there any further questions?

Senator CURTIS. I have no further questions, but I would like to submit two or three to be answered for the record.

I might say, Mr. Chairman, and to the witness that this committee has jurisdiction through the tax system in reference to foundations and foundations in general. There has been considerable discussion before this committee on what they were doing on the tax treatment and so on.

I have before me the New York Times for February 13, 1969 and it says, it speaks of grants made by the Ford Foundation.

It says "Joseph P. Califano, Special Assistant to President Johnson, received a grant of \$12,717 for 8 weeks of study and travel abroad, starting January 22, a press spokesman for the Ford Foundation said here yesterday." I have some questions about that that I would like to submit to you.

Mr. CALIFANO. Maybe I could just answer them now. It would just take a minute.

Senator CURTIS. \$12,717, about \$1,600 a week.

Mr. CALIFANO. Let me explain that trip. That was a trip around the world to 10 or 12 countries to study student problems abroad and student reactions abroad. At the end of that trip, I wrote a book called "The Student Revolution and Local Confrontation." It reported on my observations on that. I would be happy to make that book a part of this record.

Senator CURTIS. Did you submit a report to the Ford Foundation?

Mr. CALIFANO. Yes; I did. I submitted a report and that report was later expanded into a book that was published by Norton in September of that year.

Senator CURTIS. Did the book rights belong to the Ford Foundation?

Mr. CALIFANO. No; the book rights belong to me, and unfortunately I do not think the Ford Foundation would have gained much on the book rights. It was not a particularly widely sold book.

Senator CURTIS. What countries did you visit?

Mr. CALIFANO. I visited England, France, Italy, Germany, West Berlin, Israel, Kenya, Tanzania, Japan, and India and spoke to students, professors, police officials in the countries where there had been riots and lots of government officials, ministers of education in all of those countries.

Senator CURTIS. Did anyone accompany you?

Mr. CALIFANO. My wife accompanied me on my trip.

Senator CURTIS. The grant?

Mr. CALIFANO. The grant included the expenses of her travel, the expenses of the airline tickets.

Senator CURTIS. The report was expanded into a book.

Mr. CALIFANO. That is correct, although my recollection is that there was a lot of data related to the report that was not in the book, a lot of detail, a lot of notes and documents, and what have you.

Senator CURTIS. Was this grant an item of taxable income in your 1969 report?

Mr. CALIFANO. I am sure it was, if it was taxable. I am happy to give to the committee my 1969 tax return, if they would like to look at it. If it was taxable, it was included in there, and the expenses were probably deducted.

Despite that figure. I think that the trip cost more than the grant.

Senator CURTIS. That is all.

The CHAIRMAN. Thank you very much.

Senator BYRD. Mr. Chairman, I have one brief question.

The CHAIRMAN. Senator Byrd?

Senator BYRD. One final question.

In your colloquy with Senator Zorinsky, you said that you felt that the schoolchildren of Harlem would be better off going to school outside of the area. Does that mean—am I to assume from that, that

you plan to have a busing program to take the children from Harlem into Manhattan and the Bronx and Brooklyn?

Mr. CALIFANO. My point was simply in connection with comments about the students in schools being better off in schools than the neighborhood in which they exist. I simply said—I used it only as an example—that there were certain parts of Harlem and certain parts of Bedford-Stuyvesant with which I am familiar and which, if you looked at those schools, you would have to come to the conclusion that that student was not better off in that particular school than he would be in some other school somewhere else.

Senator BYRD. If you are going to have a system of forced busing in various areas of the United States, that would be the area that you feel should be considered?

Mr. CALIFANO. I was not directing myself so much at the busing problem as far as schools were concerned as I was at the title I problem, the problem of the need to provide adequate funds to make those schools that exist in neighborhoods like that decent schools. As I mentioned, the title I funds which are directed hopefully at the disadvantaged school districts in this country, have dollars that have gone down in the last 8 years.

That is what I was directing my comment at.

Senator BYRD. There are some that feel that HEW has been selective in its enforced busing programs and that it has shown no desire, or very little desire, to bring about forced busing in areas such as you mentioned, Harlem. Would it be the policy of your administration to treat all areas of the country equally, or would it be the policy to continue it as in the past, only in certain areas of the country?

Mr. CALIFANO. Without commenting on the past, we will try to treat every person equally in administration of all those laws, title VI and title IX.

Senator BYRD. Thank you.

Senator ZORINSKY. Mr. Chairman, just one question.

The CHAIRMAN. Senator Zorinsky.

Senator ZORINSKY. I may have misunderstood your line of logic. Are you saying that the schools in the Harlem area, if you establish a premise in that area, you would admit schools in Omaha, Detroit, someplace else, may be different as far as what is available to the students?

Mr. CALIFANO. I was simply, Senator, using that as an example. I am not commenting on the school system in Harlem or the school system in Brooklyn.

I simply wanted to suggest that I could take anyone in this room to schools in Brooklyn and no one in this room would say that a child was better off going to that school than going to some other school.

Senator ZORINSKY. Conversely, I could take schools in Omaha, and you may change your opinion.

Mr. CALIFANO. Yes, sir.

Senator SCHMITT. Mr. Chairman, one final comment?

The CHAIRMAN. Senator Schmitt.

Senator SCHMITT. Mr. Califano, you have a very impressive experience record and abilities. HEW certainly represents a major proportion of the challenge of government as we enter our third century of national existence.

How do we feel with people who cannot care for themselves in specific areas?

I am a little disturbed this morning about some areas where you appeared to be reluctant to make comments, or just have not had a chance over the last few years to think in detail about the subject. I hope, whether my temporary assignment becomes permanent on this committee or not, that the next time that you appear that we can get into somewhat more depth on issues for instance should the elderly be able to earn an income once they retire?

These are, I think, fairly specific questions that have, at least in my mind—and I believe Mr. Zorinsky's mind—pretty specific answers. I hope that we can get into that.

Mr. CALIFANO. Senator, Mr. Chairman, when I paid a courtesy call on him, he guaranteed me that I would have many opportunities to come up here and talk to you and the others and if I am invited to appear, I would be happy to. I am not reluctant to answer those questions. I simply do not know enough to answer them intelligently.

Senator SCHMITT. Good luck to you.

The CHAIRMAN. Thank you very much, Mr. Califano.

Next, we will call Mr. Laurence Woodworth, the nominee to be an Assistant Secretary of the Treasury.

Mr. Woodworth, I do not know whether to congratulate you or sympathize with you that you are moving into this job. You take a pay cut, you lose your parking space, you will have to park your car in the snow hereafter and hustle with everybody else.

I only hope that you can make a contribution to the country in trying to improve on the tax laws that would justify your making this sacrifice.

Have you reviewed the various conflict of interest problems and undertaken to be sure you are in compliance with them?

STATEMENT OF LAURENCE N. WOODWORTH

Mr. WOODWORTH. I have reviewed those, and I will have statements relating to them available to the committee by this next Monday. My resources are not such as to make this a very significant problem.

The CHAIRMAN. I hope that you will be successful in persuading your boss and President Carter that some of these ideas that you think of that can improve the tax structure are their ideas, rather than yours. You have been able to persuade Members of the House and the Senate that your contribution was their idea to begin with. If they think it is theirs, they will go with it and help enact it.

I find that when everybody feels that they have made a contribution, they help support and pass legislation they believe to be in the Nation's interest.

I believe that most members of this committee feel that we have asked you so many questions prior to this time that we see no point in asking you any questions now.

Senator Dole?

Senator DOLE. I just think that is an outstanding appointment. I am very pleased you will be there, and I know that there is a sacrifice being made. I think it will be in the interests of the American taxpayer. That says something for the nominee's willingness to do that.

Senator Curtis said he had to leave, but he said he has asked you enough questions over the last 30 years, and you would forgive him for not raising any now. He also requested that the following statement be made part of the record.

[The statement follows:]

STATEMENT BY SENATOR CARL T. CURTIS ON THE NOMINATION OF
LAWRENCE N. WOODWORTH

MR. CHAIRMAN: I am pleased that the President-elect has nominated Dr. Lawrence N. Woodworth to be Assistant Secretary of Treasury for the tax policy. As many of you know, Dr. Woodworth has served with distinction on the Joint Committee on Internal Revenue Taxation for many years. During this time he has provided me and the Finance Committee with invaluable counsel and assistance in an area that is probably the most complex that Congress has to deal with.

However, Mr. Chairman, not many of you are aware that Dr. Woodworth was also of great assistance to me during my service in the House of Representatives while a member of the Ways and Means Committee. It was during this period that Congress enacted the Internal Revenue Code of 1954, one of the most significant tax bills ever approved by Congress.

Mr. Chairman, while we are about to lose one of the most valuable and respected members on capitol hill we will continue to benefit from his knowledge and expertise when the new administration submits its tax proposals. In addition, Dr. Woodworth leaves behind a competent and hard working staff which he has superbly directed over the past 12 years. I am confident that the professional qualities of the staff which have been developed by Dr. Woodworth will continue to be of valuable service to the Finance Committee.

Senator DOLE. I have a statement, Mr. Chairman, that I would like to make a part of the record commending President-elect Carter for this outstanding choice and also Mr. Woodworth's dedication to this committee, and all of us on the committee regard this with bipartisan view, and I think that is important.

[The statement referred to follows:]

STATEMENT OF SENATOR BOB DOLE ON THE NOMINATION OF DR. LAWRENCE WOODWORTH TO BE ASSISTANT SECRETARY OF THE TREASURY FOR TAX POLICY

In selecting Larry Woodworth to be Assistant Secretary of the Treasury for Tax Policy, President-elect Carter and Secretary-designate Blumenthal have chosen a dedicated, principled, and thoroughly knowledgeable public servant to fill one of the most important positions in the federal government. Larry Woodworth is one of those rare individuals with an expertise in a thoroughly complex subject who retains the ability to explain that subject in a fair, impartial, and comprehensible manner to nonexperts. Without his guidance, his patience, and his dedication to the improvement of our nation's tax laws, the work of the House Ways and Means Committee and the Senate Finance Committee would have been greatly complicated.

I commend the new administration for such an outstanding appointment. And I look forward to working with Larry Woodworth in the years ahead.

Senator DOLE. I think that one area, Larry, that you may spend some time on is trying to simplify the tax return. I have already had one call this morning from my home State saying it is worse than ever, and every year we promise to simplify it. I hope that that is one of your assignments.

Mr. WOODWORTH. It already is, Senator Dole, and it is hoped that the tax incentive proposals will contain material which will simplify the return for the year 1977. Unfortunately, it is not possible to make them effective for 1976 income, but I think that there will be a very substantial tax simplification for any individual using the standard deduction, in the proposal which comes before the Congress.

Senator DOLE. That would certainly be a welcome relief to thousands of taxpayers. As you know, anything will help.

Thank you.

The **CHAIRMAN.** Senator Schmitt?

Senator SCHMITT. Mr. Woodworth, I am sorry, after all the good things that I have heard about your record to be entering the U.S. Senate about the time that you are leaving. I certainly wish you well in your job and certainly look forward to working with you one way or the other, I hope, in the next year.

I certainly wish to associate myself with Senator Dole's remark on tax reform. I am still trying to fill out my own. I am not going to make it this year. It is even more serious than that, of course. It is a serious burden on the taxpayer and on the economy and on the administration of the Government.

I hope that you will report to us soon on your recommendations, in particular some innovative ideas about how we might in Congress and the administration truly develop a tax system that is equitable and simple.

Mr. WOODWORTH. I would do my best to do that. It is my understanding that one of my principal duties will be to work on measures to simplify the tax laws.

The **CHAIRMAN.** Thank you very much, Mr. Woodworth. I believe that it would be unwise to say anything more. You might talk yourself out of a job—in fact, you might talk yourself out of our desire to have you take it, if you stay here longer.

[The résumé of Mr. Woodworth follows:]

RÉSUMÉ OF LAURENCE N. WOODWORTH

Date of birth: March 22, 1918.

Place of birth: Loudenville, Ohio.

Marital status: Married to Margaret Bretz Woodworth; Four Children: Laurence Sheldon, age 31; Joseph Ray, age 29, Esther Margaret, age 23; and Melissa Mary, age 19.

Education: AB Degree, Ohio Northern University, Ada, Ohio, 1940. MS in Government Management, University of Denver, Denver, Colo., 1942. Ph. D., New York University, New York, N.Y., 1960.

Employment: 1964 to date: Chief of Staff Joint Committee on Taxation; 1944-64: Economist, Joint Committee on Taxation; 1943-44, Tax Foundation, New York, N.Y.; 1942-43, Civic Research Institute, Kansas City, Mo.

The **CHAIRMAN.** Next, we will hear from Mr. Richard Cohen, a representative of the U.S. Labor Party.

STATEMENT OF RICHARD COHEN, NATIONAL COMMITTEE OF THE U.S. LABOR PARTY

Mr. COHEN. Mr. Chairman, under the U.S. Constitution, Joseph Califano, Jr. is unqualified to hold the position of Secretary of Health, Education and Welfare.

Califano's career and professed beliefs demonstrate that he has consistently acted as an agent of a supra-governmental conspiracy directed by the Rockefeller family, to subvert and destroy the Constitution and the traditions of economic progress, individual moral responsibility and political liberty on which it rests. Noteworthy in this respect is Mr. Califano's membership in the Council on Foreign Relations, chaired by David Rockefeller, through which the decisions made by a tight cabal of private financial interests are institutionalized as public policy.

Mr. Califano is explicit about his contempt for the Federal Republican form of government created by the Constitution. In his published works, he has proposed "radical institutional surgery" on the Federal political system, advancing policies widely publicized by the Ford Foundation, the Rockefeller Foundation, and similar sources. He has argued that because the Nation faces "a truly unhealthy consolidation of Presidential power" and because "the States and cities as presently postured simply cannot do the job," State, local, and county authorities should be subject to "some system of effective regional government."

At the heart of Mr. Califano's quarrel with our system of government is a profound disregard for the principle of the elected officials' responsibility to those who entrusted him with office. In his book, "A Presidential Nation," he has complained about "traditional stumbling blocks to proposed reorganizations—the special interest groups and the Congress aided and abetted by their allies in the executive, and the business, labor, and farm interests who want constituent-oriented representatives and departments.

During his tenure as Special Assistant to the President on Domestic Affairs under President Johnson, Mr. Califano received the opportunity to put such theories of government into practice. The so-called community action programs of the Office of Economic Opportunity, Mr. Califano has reported, "were conspicuously, proudly, deliberately designed to redistribute power at the State and local level and to operate outside the traditional Federal, State, city, and county power structure." In other words, to deprive elected officials of their designated authority.

During this same period, Mr. Califano played a leading role in a body known as the Appalachian Regional Planning Commission. Funded and staffed by the Rockefeller Foundation, the ARC carried out extensive experiments in population relocation, psychological and social profiling, and labor-intensive work projects. Many of Mr. Califano's fellow nominees now propose such techniques should be extended to the population as a whole.

The fundamental assumption made by such poverty programs was that large scale capital investment required to expand industry and to employ significantly higher numbers of skilled and semiskilled manufacturing operatives at rising real wage levels would not be forthcoming. Therefore, "economic opportunity" would be conferred by inviting the population to compete with each other on the basis of their "felt needs"—through "local community boards" and similar institutions, for their "fair share" of a fixed quantity of social wealth.

It is hard fact that with the inauguration of this "poverty program" and its local control apparatus of this Nation has not only not alleviated poverty, but has experienced a pattern of escalating urban violence and racial conflict which persists to this day.

Now Mr. Califano asks us to go even further down this same path, by consciously abandoning the American ideal of constantly upgrading the skill-levels and education of our youth. "We must face the fact that a 4-year university is not appropriate, necessary or fulfilling for everyone—indeed, it can be counterproductive for the individual and destructive for society," writes Mr. Califano.

Yet Mr. Califano supports the proliferation of methadone maintenance programs which legalize systematic and purposeful Government-sponsored drug addiction for large portions of our Nation's young people.

I would like to add that we have submitted to you supplementary testimony against Joseph Califano which indicates the key role he played, along with his colleagues, Mitchell Rogovin, a two-pronged attack against legitimate authority in this country, through their involvement in setting up the so-called Daniel Schorr affair relating to the leaking by Rogovin of the Pike select committee report on intelligence in the press and Califano's channeling the report through Schorr to the Village Voice.

This operation served to set up for "Watergate" style attack old-line intelligence community officials who were not themselves the motivating force behind the dirty operations investigated by the Pike committee, and who form the main inside base for resistance to the vicious intelligence operations the Trilateral Commission forces intend to transfer from their private networks to the Government agencies, while aborting almost at conception any future attempts by Congress to carry out its legitimate oversight functions over these activities through discrediting the ability of Congressional bodies to guarantee the security of classified information.

If Mr. Califano is confirmed by the Senate his record strongly suggests that he will work actively to achieve a society in which economic decay is enforced by government fiat, in which the opportunity for education and self-development is denied to the individual, in which elected officials, if even a paper democracy is allowed to exist, take orders from the Trilateral Commission instead of the voters, and in which the American people are drugged and manipulated into abandoning their responsibility for the future of this country.

Mr. Califano should be asked the following questions:

One, why do you condone the expenditure of government funds for the dissemination of narcotic drugs, but regard the American ideal of higher education for all as "counterproductive" for society?

Two, do you regard the social cost of drug addiction as cheaper than the cost of a college education?

Three, are you aware that similar drugs were used in forced labor programs in Nazi Germany?

Four, how do you differentiate your own advocacy of "local control" and "regional planning" schemes from the Judenraten experiments in self-government carried out in the Warsaw Ghetto?

Five, why do you regard constituency pressure on elected officials as illegitimate, but accept the policy pressure and outlook of the Rockefeller "constituencies" at the Council on Foreign Relations and Trilateral Commission as legitimate?

Senator DOLE (presiding). Thank you, Mr. Cohen. I have no questions. We appreciate your testimony. I guess you have made this available to the committee?

Mr. COHEN. Yes.

Senator DOLE. Thank you.

[The supplementary statement of Mr. Cohen follows:]

U.S. LABOR PARTY—SUPPLEMENTARY TESTIMONY ON JOSEPH CALIFANO

The Trilateral Commission's "Carter" Administration-designate has been threatening to reorganize the American Federal government; one of the main weapons they intend to use this fight against the U.S. Constitution is Joseph F. Califano, a lawyer whose career as an agent carrying out special operations for the monetarist faction is outlined in the main body of testimony we present to you today. Let us briefly indicate here why the U.S. Senate must not allow such agents of this "reorganization" to be confirmed by outlining one special operation in which Mr. Califano was intimately involved, an operation which laid the groundwork for the grossly unconstitutional "reorganization" of the intelligence functions of our government which the Trilateral Commission is already setting in place.

Mr. Califano, currently of the Rockefeller law firm of Williams, Connelly & Califano, acted together with his former partner from the Arnold & Porter firm (see appended abstracts on these firms) Mr. Mitchel Rogovin, from all available evidence, to set in motion a two-pronged attack against legitimate authority in this country through the so-called Daniel Schorr affair regarding the leaking of the classified report of the Pike Select Committee on Intelligence. This operation served to set up for "Watergate"-style attack old-line intelligence community officials who form the main inside base for resistance to the vicious intelligence operations the Trilateral Commission forces intend to transfer from their private networks to the government agencies (through the operations base in Glyn County, Georgia, among others).

Central Intelligence Agency counsel Mitchell Rogovin leaked to several journalists, including the used Mr. Schorr, the Pike Committee report. Indeed, this document gave accounts of many horrendous activities, but did not get beneath the very surface of the operations described to reveal the motivating forces, and thus was itself—through, it would appear, no fault of Congressman Pike—a cover-up. (Pike was continuously plagued by deliberate leaks which hampered the Committee's getting below the surface of these operations.) The final leaking of the report itself—and its crucial placing in the Village Voice newspaper—served to insure that future attempts by Congress to carry out its legal authority of overseeing intelligence operations would be aborted almost at conception: the Trilateral cabinet could now claim with credibility on behalf of their "liberal" executive that such attempts at oversight present too grave a security risk of leaks to be allowed to proceed. This operation was carried out just in time to enable the cabinet-designate to carry out their intelligence reorganization without worry of exposure by potent oversight bodies on Capitol Hill.

Schorr's lawyer Mr. Califano advised him not to reveal the source of the report; advised on and reportedly arranged the placing of the report in the Village Voice; in short, played a key role in the operation aimed at the legitimate authority of the U.S. Congress and honest American officials who were scapegoated to protect the motivating forces behind the illegal use of American intelligence activities. (For some documentation from another angle of this latter point, we refer you to the testimony of Ambassador Korry of Jan. 11, 1977, to the Senate Foreign Relations Committee and to extensive materials published by the U.S. Labor Party.)

Joseph Califano's partner in this "inside-outside" job against legitimate government, Mitchell Rogovin, just before being so conveniently placed as counsel for the CIA, served as lawyer for the Institute for Policy Studies (IPS), a central element in the private intelligence networks of the Trilateral Commission, and

the parent organization of the supposedly anti-covert operations covert operation known as "Counterspy" magazine. His—and Califano's—former firm Arnold & Porter, which set up the terrorist IPS, has historically functioned as an agent of the Rockefeller interests. (Indeed, Thurman Arnold himself placed Edward Levi in the AntiTrust Division of the Justice Department at the outset of World War II to cover up the illegal and egregious collusion between Rockefeller's Standard Oil and the Nazi I. G. Farben firm—see testimony of Antoine Chaitkin at Levi's confirmation hearings.) Rogovin also served as General Counsel to Common Cause, itself a Rockefeller operation set up to undermine Congressional authority through various Watergating operations against elected officials who favor progress over Trilateral policies.

Mr. Califano's appointed role in the Trilateral Commission's cabinet will be to continue to undermine legitimate authority in behalf of unconstitutional reorganization plans intended to destroy the responsiveness of democratically elected officials to the constituencies they represent, and to manipulate the American population through manipulated crises and controlled terrorism—while attempting to render impotent attempts to check the usurpation of legislative power by the executive and executive power by the Rockefeller debt collection agency, the Trilateral Commission.

What will this reorganized government look like? Zbigniew Brzezinski has explained: as early as 1967 he called for "a symbolic presidency where functionally necessary experts replace parties and government bodies."—a constituency-less government. Do you Gentlemen not believe they mean it? In 1974, Congress set up the Murphy Commission to study the Reorganization of the Government for the Conduct of Foreign Policy. In a private report in June of that year, the Murphy Commission noted that it may soon be necessary for U.S. officials to "(cede) elements of national sovereignty to international entities which alone will be able to make and monitor the necessary decisions concerning world allocation and control of population, food, . . . resources. . . . Presidential leadership will be taxed to the utmost. Conflicting claims of foreign and domestic interests, cutting across agency lines, . . . can only (be) resolved at the White House level. And only the presidency can initiate the necessary restructuring of decision machinery." This scenario for reorganization of the United States into Brzezinski's constituencyless government of Trilateral Commission "experts" was written under the supervision of the Murphy Commission directors: Peter Szanton of RAND, and Robert Bowie and Graham Allison both of David Rockefeller's Trilateral Commission. Former Governor James Carter's "Transition Team" in charge of planning the reorganization of the White House was, as reported recently in the New York Times, directed by two people: Peter Szanton and Graham Allison.

Individuals who have been instrumental in undercutting legitimate authority in the United States to pave the way for a fascist restructuring must not be awarded high government posts. We urge you to reject the nomination of Joseph Califano.

ADDENDUM TO U.S. LABOR PARTY TESTIMONY SUPPLEMENT ON JOSEPH CALIFANO

Abstracts on relevant law firms

WILLIAMS, CONNOLLY & CALIFANO

Abstract

A recent established CIA troubleshooting law firm Williams, Connolly, provides direct links between top level intelligence operations and lower level terrorist activities. It has access to the policymaking decision process in the Democratic Party.

Williams, formerly of Covington and Burling was a member of the President's Foreign Intelligence Advisory Board in the 1960s. During the 1950s he operated as the attorney for Teamsters Presidents Dave Beck and Jimmy Hoffa at the McClellan Committee Racketeers Hearings. Both Beck and Hoffa eventually received prison terms, and the Teamsters were set up for continual investigations. Williams also defended SDS Fabian agents as an advisor to the ACLU.

Williams' top client has been Armand Hammer of Occidental Petroleum, who has extensive dealings with the USSR. Williams thus becomes a key "listening post" able to provide crucial information to private intelligence personnel in Wall Street out to watergate Hammer.

Califano is a special operations expert. Originally party of the Berkely Mafia which set up the slaughter of one million Indonesian Communists in 1965, Califano has in recent years created an extensive network in all areas of government through his previous job as General Counsel to the Department of Defense and later as one of Lyndon Johnson's top troubleshooters as Special Assistant for Domestic Affairs. He is now slated to be Carter's special advisor on domestic affairs.

The firm has recruited some of its lawyers from Leonard Boudin's terrorist defense team. Mike Tigar was with the Center for Constitutional Rights, a top terrorist control outfit. Jeffrey Rein was lawyer to the CIA's "deserter movement" in Europe which conducted penetration operations into the East bloc. Greg Graig is on the Democratic National Committee's foreign policy task force.

ARNOLD & PORTER

Abstract

This post-war New Deal law firm has acted as the key Washington, D.C. Fabian operation. Thurman Arnold directly founded the Institute for Policy Studies in January 1963: Practically the entire apparatus is directly recruited from government departments, mainly Justice, Treasury, Defense, and Interior. Arnold and Porter is closely associated with the Warburg family and Edward Levi, who was a recruited by Thurman Arnold into the Anti-Trust Division of Justice.

This firm was created entirely out of Roosevelt's New Deal braintrust. Arnold was chief of the Anti-Trust Division, Paul Porter, head of the Office of Price Administration, and Abe Fortas, Under Secretary of Interior. Basic policy orientation is domestic counterinsurgency and corporate watergating operations. Has been involved in international counterinsurgency; Porter operated in the Greek civil war in 1947.

To facilitate domestic counterinsurgency and strengthen Washington operations, Arnold and Porter incorporated the D.C. office of Paul, Weiss, Rifkind, Wharton and Garrison in 1960. In 1963 provided the legal counsel and political operatives for the creations of the Institute for Policy Studies. IPS incorporation papers were signed by Arnold and Porter lawyers. Previously known as a great defender of civil rights, the firm used this as a cover for the Fabian insurrection against constitutional government. Heavily involved in setting up Watergate and legislation for corporate reorganization. Personnel sit on the Board of Trustees for the Institute for Policy Studies and the Center for Law and Social Policy. Partners have been counsel for the Army and Air Force.

Acted as the principal law firm in reorganizing the Democratic Party delegate selection procedure for the 1972 Democratic Convention, which served to decentralise and destroy constituency-based Democratic Party machines. Organised synthetic constituent groupings—women, gays, etc.—and used oppressed minorities to create phony racewar issues. Affirmative Action, for example. Provided legal services for the Democratic National Committee in 1970.

Special note should be taken of Mitchell Rogovin who has served as general counsel for the CIA, IRS, Common Cause, IPS, and Center for Law and Social Policy Vice-Chairman, William D. Rogers, State Dept. Policy and Planning for Latin America under Henry Kissinger, is another former Arnold and Porter partner.

The following is a partial list of Arnold and Porter members serving in the Justice Department during the 1960s. The list does not include the scores of the firm's associate partners and staff lawyers who also served in Justice.

Anti-Trust Division: Jack Lipson; Richard Wertheimer; Peter Bleakley, Melvin Spaeth; Bruce Montgomery.

Civil Rights Division: Gerald Stern; Abe Krash; Edgar Brenner; David Bonderman.

Solicitor General and Counsel to the Office of Attorney General: Norman Diamond; William McGovern; Jerome Chapman; Steven Lockman.

Senator DOLE. The committee will now stand in recess until 10 o'clock Tuesday when we will consider the nomination of Mr. Blumenthal, Mr. Califano, and Mr. Woodworth.

[Thereupon, at 12:45 p.m. the committee recessed to reconvene Tuesday, January 18, 1977, at 10 a.m.]

[By direction of the chairman the following communication was made a part of the printed record.]

NATIONAL ABORTION RIGHTS ACTION LEAGUE,
Washington, D.C., January 13, 1977.

HON. RUSSELL B. LONG,
217 Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: As you undertake the confirmation hearings upon the appointment of Joseph Califano, Esquire, as Secretary of Health, Education and Welfare, there are certain concerns which we believe must be openly expressed.

It has become clear that Mr. Califano is personally deeply opposed to abortion for his own moral and religious reasons and opposes federal funding for all abortions. What is not clear, however, is what effect Mr. Califano's personal beliefs may have upon official government policy regarding funding of abortion services for the disadvantaged of this country. Our concerns about the conflict between Mr. Califano's personal views and policy decisions he will be called upon to make in his official capacity are threefold in nature.

Mr. Califano's strong commitment to civil rights in guaranteeing the same civil liberties to all Americans regardless of race, religion, or economic status has long been recognized. This is in direct conflict, however, with his apparent willingness to openly discriminate against indigent women by denying them access to legal abortion services readily available to other women. It is unthinkable that someone who has fought for the rights of the underprivileged could now be blind to the discriminatory nature of his statements against funding abortion services for the poor.

Secondly, it is surprising that a leading civil rights attorney would make such emphatic statements knowing that federal courts have consistently held that withholding funds for abortion services is unconstitutional when funding is available for prenatal and delivery care. These courts have determined that such prohibitions are discriminatory and in violation of the equal protection clause of the Constitution. To us, such prohibitive actions are coercive in that pregnancy is a condition which requires medical treatment regardless of the outcome. Therefore, the poor are not allowed a choice and are unable to fully exercise their constitutionally guaranteed right to choose abortion.

Thirdly, because of the inherent conflict between Mr. Califano's own beliefs and the current government policy in providing Medicaid reimbursement for abortion, it is imperative that he be publicly able to distinguish clearly between these two opposing interests. It would be deeply disturbing to see a Secretary attempt to undermine or restrict current policy solely upon the basis of moral and religious beliefs not shared by the majority of the American public.

We hope that Mr. Califano will be cognizant of these apparent inconsistencies and will attempt to examine all aspects of the issue carefully as it affects the entire nation, with its many different moral and religious persuasions.

President-Elect Carter has often referred to his hope of minimizing the need for abortion through improved contraceptive and family planning services. It is our sincere hope that the religious convictions of Mr. Califano leading him to his opposition to abortion will not block his enthusiasm in promoting Governor Carter's concern that all those who need and desire family planning services be able to receive them.

These are matters which deeply affect the lives of millions of Americans. We believe they merit frank and open discussion.

Sincerely,

KAREN MULHAUSER,
Executive Director.
CAROL WERNER,
Legislative Director.

APPENDIX

QUESTIONS SUBMITTED BY SENATOR SCHMITT TO MR. CALIFANO

Question 1. New Mexicans are concerned that HEW does not always heed the interests and needs of the Southwest:

(a) Do you plan to ensure more equitable geographic representation in staffing the department at highest levels?

(b) How will you guarantee representation and input of Southwest minorities at HEW?

(c) What role do you envision for regional offices?

Answer. I hope to attract outstanding people to HEW from all parts of the country. Although we are one nation I recognize that each region has its distinct problems and I will look to those regions for special advice. I am also very concerned that Indians, Spanish-speaking Americans and other minorities be represented in HEW.

We will examine the role of the regional offices and try to improve the delivery of HEW services for all Americans in all parts of the country.

Question 2. What do you believe should be the proper thrust of bilingual education? Specifically, what approach should HEW foster with regard to teaching children or adults who customarily speak a foreign language and those who speak non-standard English?

Answer. I believe profoundly that all children—our most precious national asset—should have high quality educational opportunities, regardless of the language they speak. One of my first efforts in education will be to ensure that the federal government's role in bilingual education is appropriate to the needs of our children.

Question 3. How would you ensure that aid programs to students and colleges are administered so that the recipients are not bogged down in red-tape and paperwork and are not told how to run their own affairs and programs? In this regard I would appreciate your comments on the Hillsdale College matter raised by HEW affirmative action requirements.

Answer. As I have indicated elsewhere in this proceeding, I believe another high priority item on my agenda at HEW will be to simplify and streamline record-keeping procedures. I am not prepared to comment at this time on the question regarding Hillsdale College.