SOCIAL SECURITY AMENDMENTS OF 1971

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

NINETY-SECOND CONGRESS

FIRST AND SECOND SESSIONS

ON

H.R. 1

TO AMEND THE SOCIAL SECURITY ACT TO INCREASE BENEFITS AND IMPROVE ELIGIBILITY AND COMPUTATION METHODS UNDER THE OASDI PROGRAM, TO MAKE IMPROVEMENTS IN THE MEDICARE, MEDICAID, AND MATERNAL AND CHILD HEALTH PROGRAMS WITH EMPHASIS ON IMPROVEMENTS IN THEIR OPERATING EFFECTIVENESS, TO REPLACE THE EXISTING FEDERAL-STATE PUBLIC ASSISTANCE PROGRAMS WITH A FEDERAL PROGRAM OF ADULT ASSISTANCE AND A FEDERAL PROGRAM OF BENEFITS TO LOW-INCOME FAMILIES WITH CHILDREN WITH INCENTIVES AND REQUIREMENTS FOR EMPLOYMENT AND TRAINING TO IMPROVE THE CAPACITY FOR EMPLOYMENT OF MEMBERS OF SUCH FAMILIES, AND FOR OTHER PURPOSES

JULY 27, 29; AUGUST 2 AND 3, 1971, AND
JANUARY 20, 21, 24, 25, 26, 27, 28, 31; FEBRUARY 1, 2, 3, 4, 7, 8, AND 9, 1972

PART 4 OF 6 PARTS

Public Witnesses
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SOCIAL SECURITY AMENDMENTS OF 1971

FRIDAY, JANUARY 28, 1972

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

The committee met, pursuant to recess, at 10:05 a.m. in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Anderson, Talmadge, Ribicoff, Byrd of Virginia, Nelson, Bennett, Curtis, Jordan of Idaho, and Fannin.

The CHAIRMAN. The first witness today will be Mr. George K. Wyman, president of the American Public Welfare Association. He will be accompanied by Mr. Wilbur J. Schmidt and also Mr. Lloyd E. Rader.

Senator Nelson?

Senator NELSON. Mr. Chairman and members of the committee, I am pleased this morning to introduce to the committee Mr. Wilbur Schmidt, director of the Department of Public Welfare for the State of Wisconsin for the last 15 years or thereabouts. I regret that I didn't know until I looked at my schedule this morning that Mr. Schmidt was going to be on the panel. I have time reserved on the floor shortly after 10 for a speech.

I just wish to say that Mr. Schmidt has served with great distinction in our State under, I believe, two Republican Governors and three Democratic Governors or thereabouts, and that he is recognized nationwide as a man of great distinction and authority in the field of public welfare; and I am pleased that he has the opportunity to appear on this panel before the committee.

I thank the chairman.

Mr. SCHMIDT. Thank you, Senator Nelson.

The CHAIRMAN. Fine.

Mr. Wyman, we will let you lead off, and then we will talk with your group.

STATEMENT OF GEORGE K. WYMAN, PRESIDENT, AMERICAN PUBLIC WELFARE ASSOCIATION, ACCOMPANIED BY WILBUR J. SCHMIDT, CHAIRMAN, NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS; AND LLOYD E. RADER, DIRECTOR, STATE DEPARTMENT OF INSTITUTIONS, SOCIAL AND REHABILITATIVE SERVICES, OKLAHOMA

Mr. WYMAN. Thank you, Mr. Chairman and members of the committee. We appreciate this opportunity to appear before you today on behalf of the American Public Welfare Association.

As Senator Nelson has said, I am accompanied by Mr. Wilbur Schmidt who is secretary of the Wisconsin Department of Health and Social Services, and Mr. Lloyd Rader, director of the Oklahoma Department of Institutions, Social and Rehabilitative Services. I will attempt to summarize the statement, and the three of us will be prepared to respond to any questions that you might have, Mr. Chairman.

The American Public Welfare Association is the national membership organization in the field of public welfare. The membership consists mainly of State and local agencies which administer the public welfare programs and individual staff members. For the past 40 years, the primary, continuing concern of the association has been the improvement of public welfare programs throughout all parts of the Nation, and we have identified objectives and priorities which have focused on this purpose. The basic statement has been published under the heading of "Essentials of Public Welfare," and, with your permission, Mr. Chairman, I would like to submit that statement for inclusion with the record, and I believe it is attached to the prepared statement.

The association holds that full employment at adequate wages should be the goal for all persons able to work whose services are not required at home. To the fullest extent possible, jobs should be available through the private enterprise system and normal operations of government as it maintains public services and facilities.

There should be a full range of manpower training resources to afford the opportunity as needed to acquire necessary skills for entry to employment and for upgrading job skills. To the extent that employment is not available through these regular channels, despite the concerted public and private efforts, useful work opportunities should be provided by the Government to help employable persons further develop and maintain their work habits and skills.

We believe a comprehensive financial assistance program with adequate national minimum standards should be available, on the sole basis of need, to assure to all individuals and families an income no lower at any given time than an officially established poverty level.

Comprehensive social services should be available to all who need them, including services to promote opportunities for attaining self-support; to improve individual functioning, facilitate independent living, and strengthen family life; to protect children and adults where necessary; and, finally, our principles include wage-related contributory insurance under the social security system as a preferred method of financing and administering income maintenance programs of financing and administering income maintenance programs and should be extended to afford protection against all insurable risks to family and individual economic security.

Well, now, having stated those principles, we would like to measure H.R. 1 against them: and in measuring these objectives, we believe that the provisions of H.R. 1 in its present form would constitute a partial reform of the public welfare system and would provide a basis for further development.

For example, one of the things that has been said about the present system and its inadequacies is that it really is 54 different systems, and yet to a certain degree this would still be true if H.R. 1 is adopted because of the variations that would occur between States in the amount

of the supplementation, and we have had a dramatic indication of this with the lack of fiscal relief for States and localities in this past year where something like 18 or 20 States, because of the fiscal pressure, public assistance, and medicaid, have had to reduce their benefits; and under H.R. 1, with supplementation left above the $2,400 level to State determination, there could well continue to be these peaks and valleys between the States. For that reason, we believe that interim fiscal relief for the States under the present system is urgently needed pending the establishment of the new system; and to that I will address myself a little further along.

Also, we think that the social security cash benefits which are provided for in H.R. 1 should be increased in an amount greater than 5 percent as passed by the House. Obviously, the cost of living has gone up since that time, and these beneficiaries should have a larger sum, in our judgment; and, finally, we strongly advocate the transfer of the three adult categories of aid to the aged, blind, and disabled to the social security system, if for no other reason than what we are doing now is supplementing inadequate social security benefits for about two-thirds of the people who are already getting public assistance in these categories, and we think that it makes good sense to have this under one administration at the social security level.

The central features of the legislation, turning to H.R. 1, which constitute the basis for our support, include the following:

The establishment of a national minimum standard of assistance, with uniform eligibility standards and procedures; the extension of coverage to the working poor; for example, Mr. Chairman, in my State of New York, we are currently supplementing 50,000 employable families, actually working, 44,000 of them working full time, 6,000 part time. The size of their families, however, Mr. Chairman, averages 7.5 persons per family, and they are unable, even working full time at the minimum wage, to support that size of family; so we supplement with general assistance, or as we call it, home relief, to bring them up to a welfare standing. So, in effect, New York is already in the business of assisting the working poor, and we believe it good business rather than have those persons discontinue employment and we have to assume the full responsibility of it.

Senator RIBICOFF. May I interject a question at that point, Mr. Chairman? How long have you been doing this in New York?

Mr. WYMAN. At least since the time of the depression, Senator Ribicoff.

Senator RIBICOFF. Now, do you have some studies of the results of these State supplementation programs for the working poor?

Mr. WYMAN. Yes; we have studies as to their characteristics, the amount of payment that was made to the families, and that sort of thing.

I would point out the difference between what we are doing and what H.R. 1 would offer. We simply allow working expenses as an offset; we don't offer an incentive. We merely bring the family up to the State standard of assistance that they would otherwise get on welfare if they were not working at all under H.R. 1.

Senator RIBICOFF. I am glad you made your statement because there are more questions I would like to ask you, and I won't interrupt. I

will go into this deeper with you when my turn for questioning comes along.

Mr. WYMAN. Very well.

The assumption of basic financial and administrative responsibilities, we feel, by the Federal Government is an asset. The promised fiscal relief to States and localities, including the hold-harmless protection against future caseload increases, is a good thing, in our judgment.

To continue describing the central features of the legislation:

The expansion of services for job training and placement, and of public service employment opportunities; and the strengthening of supporting services and resources, including the massive increase in Federal funding for day care facilities, to assist and enable assistance applicants and recipients to become self-supporting.

The basic level of assistance should be no less than the federally established poverty level, in our judgment.

At the outset of the new family programs, we feel that the level of assistance should be no less than $3,000 per year for a family of four, with coverage for all persons in need, including individuals and childless couples, because if these people are not included, States and localities will continue to be responsible for those who are excluded from the Federal program.

Now, we realize that to go immediately to the poverty level would be an inordinate cost, could not be absorbed immediately; but we think the Congress could well establish as a policy its goal and desire to incrementally increase these benefits over the years, and in the meantime we believe strongly that if States are to be expected to maintain the levels that they now have—again, in many of them, as you know, Mr. Chairman, well above the $2,400 limitation for a family of four—that there must be Federal matching in these State supplementary funds of at least 30 percent.

The requirement to take into account the income of the past three quarters is unrealistic, if this is the only basis upon which current need is determined. It is unduly complicating because a person could well meet all of the requirements of the statute and still not be ineligible as of a particular point in time and this would leave to States and localities the responsibility for providing emergency care.

With reservations as to the mandatory requirements for work by mothers, and we are concerned here, Senator Talmadge, with that part of your amendment which is now Public Law 2–223, we think all the rest of this is fine, all the things that you have proposed and that are now part of law; but we do have some concern, however, with respect to that matter of requiring mothers with school-age, under-school-age children to register.

We believe that this can be accomplished over a period of time by first requiring those who have provision for their children through schooling and otherwise to work.

Senator TALMADGE. Will you yield at that point, Mr. Wyman?

Mr. WYMAN. Yes, sir.

Senator TALMADGE. You are aware, of course, of the fact that women comprise over a third of the labor force in the United States of America at the present time are you not?

Mr. WYMAN. Yes, sir.

Senator TALMADGE. You are further aware of the fact that a high percentage of these women have school-age children, are you not?

Mr. WYMAN. Well, we are talking about under school age, Senator.

Senator TALMADGE. I am talking about that. As I recall, the Talmadge amendment provided mandatory registration and work if the children were 6 years of age or older. You are aware of the fact that a high percentage of the labor force at the present time is composed of women with children of this age, are you not?

Mr. WYMAN. I stand corrected, Senator. I was under the impression that the registration requirement would apply to women with children under 6 years of age.

Senator TALMADGE. That is the House bill as I recall.

Mr. WYMAN. I see.

Senator TALMADGE. Six years of age or older is the provision in the Talmadge amendment.

Now, I believe the House bill speaks in terms of mothers with children 3 years of age or older.

Mr. WYMAN. Yes.

The CHAIRMAN. Hold on. Let me get both of you straight. You have correctly stated the Talmadge amendment. The House bill starts by requiring mothers with no children under age 6 to register and then 2 years later says the mother has to register if her youngest child is at least 3; so you are both partly right.

Mr. WYMAN. And I am sure Senator Talmadge is more right and I concur in what he has said.

Senator TALMADGE. Let me read you the statistics on the nonworking mother: Two-fifths of all married women work if their husband is around; more than half work if the husband is absent; and nearly three-fourths work if they are divorced. The presence of children does make a difference. Forty-two percent of married women with husbands present work if there are no children under 18; 49 percent if their children are 6 to 17 years old; and 3 percent if they have children under 6.

It is significant to note that women work outside the home more often if they have children between 6 and 17 than if they don't.

Now, if nonwelfare mothers with children can work, why shouldn't women who are on welfare work if they have children?

Mr. WYMAN. I would agree with you absolutely.

Now, with respect to another part of your amendment. Senator, the increase in Federal matching to 90 percent that you proposed and is now law for training, public service employment, social and supportive services, including child care, will certainly enable States to move with greater effectiveness; and we believe this a very fine move.

We would hope, however, the adoption of this statute would not detract or substitute for the urgency for the adoption of other features in H.R. 1.

One of the things that troubles us, Mr. Chairman, and members of the committee, is what we are sure that H.R. 1, if enacted as it came over to you from the House, is not going to make for organizational simplicity. It is going to be just the reverse; it is going to provide a great deal of complicated potential for complication through having a number of agencies at the local level. These can be HEW, U.S. De-

partment of Labor, the State social services agency, the local office of the Social Security Administration and complications we can see would arise between referrals from one agency to another; and it is entirely possible that people will fall between the outfielders, so to speak, with respect to this kind of organizational fragmentation.

We endorse the extension of medicare coverage to disabled persons entitled to social security benefits—we think this is a great step forward and the limitation of supplementary medical insurance premiums to the rate of increase in cash benefits.

Now, again, with respect to your amendments, Senator Talmadge, we certainly applaud the transfer of the intermediate care facilities to title XIX and this has been welcomed by all the public welfare agencies throughout the country.

However, we object to some things in the bill, to the proposal in section 225 to limit the matchable average per diem costs in skilled nursing homes and in immediate care facilities to 105 percent of the previous year.

We know that in many States, due to fiscal limitations, they have not been able to make payment at cost level for the care of people in these institutions and to limit that increment would merely exacerbate a low level of payment already in effect.

We object to the premium enrollment fee for medicaid for the medically needy and the option for deductions or copayments.

We think both of these things would prevent people from getting needed medical care on a needed basis. When they could get outpatient care, for example, without paying these benefits or these charges, they might well accept needed medical care and, thereby, delay or postpone eventual hospitalization or long term institutional care.

We are generally supportive of the proposals on social services in H.R. 1. We are particularly pleased that the President has announced a new bill, a new proposal called the Allied Services Act, which will go, we understand, much farther than the social services proposals in H.R. 1 and we, as I am sure you do, eagerly await the introduction of this bill so that we can offer our comments with respect to it.

However, we have certain reservations about the services part of H.R. 1.

We endorse the increased Federal commitment for foster care and adoption services and for family planning and child care.

The list of services which may be funded in section 511 is too limited, we feel, and we think that rather than listing these or if it is desired to list them, that it should be said this will not be limited to these services, but additional services would help people to become employable, to become self-sufficient should be reimbursed also by the Federal Government.

There is a danger that services may become fragmented among manpower and social-service agencies, with the development of two or more parallel and potentially overlapping systems; and we strenuously object to the proposal to terminate the open-end matching authorization for social services. We do this because we are not certain how much in the way of social services doubling the caseload would require of us, and we think that unless we have had an opportunity to demon-

strate the value of these social services, to account for them, to measure their cost effectiveness, the open-end aspect of it would be advantageous. Within a year, within 2 years, on that accountability, that measurement and experience is available to the Congress, then if further consideration could be given to the open-end closing. At this point in time in the relationship of the history between the State, local, and Federal Government we think this relationship should continue.

Lastly, we were concerned about the lack of any provision in this proposal for the transfer of State and local employees to the new programs. HEW tells us they will expect to add some 10,000 to 15,000 people to the social security work force in order to handle the adult categories as they are transferred. Some 65,000 additional employees, they say, will be required to administer the family programs.

If that is the case, then the logical place for them to look for employees is at the State and local level and these people who have devoted 15 or 20 years of a lifetime of service to the needy in our country should certainly be given every opportunity to move to the new Federal agencies with benefits, retirement, sick leave and these other things intact.

In conclusion, Mr. Chairman, may I just read one portion of our testimony. I would like to go back to the statement that the principles of a national adequate minimum standard of assistance, uniform eligibility standards and procedures, the extension of coverage to the working poor and the assumption of basic responsibility by the Federal Government are the essential elements of welfare reform, and that the present measure moves only part way toward the attainment of these objectives. H.R. 1 gives promise that it would advance these principles and that these principles, once established, can be built upon for the continuing perfection of the system.

However, and I think this is very important, no one should labor under the illusion that any kind of welfare reform is going to greatly diminish the problems that plague us under the present system, at least in the short run.

The basic problems are caused by lack of education and marketable skills, discrimination in employment and housing, poor health, social disorganization, technological change and lack of a full employment economy. For example, during the past 20 years the revolution in agricultural technology has resulted in perhaps the greatest migration in history, of unskilled farm laborers to the major cities, many of whom settled in the ghettos of the central cities. None of these conditions were caused by any welfare program and they will not be corrected by any welfare program no matter how good, except insofar as it is a part of a larger array of services, resources, and opportunities.

Nor should the expectation be nurtured that the new family programs would escape the welfare stigma. Any program which provides assistance based upon a determination of need will bear the onus, in the opinion of some, that it pays more than the recipients deserve, while others will find that benefits are inadequate for a decent level of living.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. Wyman, I think I could be helpful to you and your people by telling you that I judge the sentiment on this committee at this time and the way I think that the Senate will probably vote.

Now, there may be differences; I think I would be more accurate speaking about the committee here where I serve, where I think I have spent as much time as anybody has on this bill.

It is my guess the majority of this committee is not going to buy the family assistance plan as the House sent it to us. It will be drastically changed, and when we are through debating it on the floor it will be anybody's guess how it will be worked out. If I had to bet on it—and take one side or the other—I think I would put my money on the side of saying that the basic structure of our bill would be supported by the Senate by the time we get through with it.

I think the majority here would be willing to provide the States in the program in one way or another with every nickel that the House passed to us. I don't think that is where the hangup is; my guess is if we are talking about another $4 billion for the poor, this committee will go along with that even if we have to vote for some taxes to pay for it or raise the debt limit, as the case may be.

But I think that the committee has studied this thing to the extent that a lot of us have been enormously impressed by the statement Roger Freeman made yesterday. I know Herman Talmadge was reading from his statement on mothers and that was devastating, pointing out in a very beautiful way what that man finds wrong with this program. I would say if I had to pick out the most logical statement that has been presented to show the danger of a program, Mr. Freeman, I think, has made the best statement that has been made, a better statement than I have made or anybody else has made on that subject. And your people would be well advised to prepare an answer to it; tell us wherein you think he is in error. There's no point in telling us where you think he is right; that pretty well speaks for itself, anyhow, but where you think it is in error.

Now, there are several things that I am anxious to know, for instance, how you and the other administrators and these Governors feel about this and they are going to feel about the way you advise them to feel. I suspect it would make a lot of difference in my thinking and perhaps of a majority of us in the committee and in the Senate.

Rather than hire 80,000 Federal employees and create I don't know how many thousands of offices, 100 in Louisiana alone, it just seems to me that it would make just a lot better sense if we would follow the structure that whatever we can afford to put into this program, we would just provide it without requiring that the States put up any more money. We will try to find some fiscal relief for the State governments and give you just as much as we think we can afford, but with whatever program we come out with, I find a great deal of appeal in the idea of simply continuing State administration.

I think that you are doing the best you can with your program. Our friend from Oklahoma over here, I think, is a good man and he has done a fine job with his program; and our people in Louisiana are doing a good job. It may be that they could be improved on, but I don't know if anybody in Louisiana can do a better job than they are doing and I personally am strongly tempted to vote to say that we would continue State administration with Federal financing to the extent that we can afford Federal financing.

If we can afford entire Federal financing, so much the better; but to the extent that we can afford it, I find great appeal in the

idea of keeping the same offices we have, the same personnel. It would seem to me that whatever additional benefit we can vote will get to the people a lot quicker that way than if we have got to go out and conduct a half million interviews for new people and recruit a whole work force and argue because somebody in the Federal establishment had a quarrel 3 years ago with somebody in a State welfare office and he doesn't want that guy brought into the Federal program or if he does, bring him in at the bottom rather than at his existing status. Rather than have to interview all these clients all over again, if you want to add something to it, simply ask one or two additional questions rather than have to ask from the very beginning, "what's your name, where were you born," and all this sort of thing—all these poor devils filling in all this stuff they filled out a hundred times already.

What would your thought be to simply having States administration where you would have some local responsibility, an appointee of the Governor heading the department, and a Governor elected by the people with whom they could discuss their problem, if they thought an incorrect decision had been made or an unfair evaluation had been made of their claim, rather than all of them having to head for Washington, D.C.?

Most of my poor people don't have the money to come to Washington to talk about their problem. At best, if they get to Baton Rouge they are pretty lucky.

What's your reaction to that approach?

Mr. WYMAN. On the basis of the position we have taken, it has been to come down on the side of Federal Administration, feeling there were many advantages, particularly in the aged, blind and disabled, to have this national administration in view of the fact that so many of these people are already beneficiaries and we are—beneficiaries of social security—and we are merely supplementing it.

Last week, Mr. Chairman, the State administrators, of which Mr. Schmidt is the chairman, had a meeting here in Washington and we learned for the first time of your interest in this aspect of it; and perhaps Mr. Schmidt would like to comment with regard to that.

Mr. SCHMIDT. Thank you, Mr. Wyman, Mr. Chairman and members of the committee.

As Mr. Wyman has indicated, this was a rather late development in that while the issue of Federal Administration versus State administration has been there before, the suggestion which we understood was being considered by yourself and presented by you and Mr. Bonin to our group was to take a look at the model of the employment service idea as a kind of way to design such a relationship; and so, as a result of that, and it being the final day of our meeting, a motion was passed by the council members then present and by this time—I might add that many had found it necessary to leave, but there was a proper motion passed by the council for the chairman to designate a committee to work with your office around what are the pluses and minuses, maybe, of this kind of arrangement.

This committee has been named and I think you will be hearing directly from that group shortly, that is, your staff will be, in an effort to examine that issue and see whether or not the council as a body would wish to take a more positive stand with respect to it.

The CHAIRMAN. Mr. Rader, what is your reaction to that suggestion?

Mr. RADER. Mr. Chairman and members of the committee, as Mr. Schmidt pointed out, we had a quorum present and, as I recall, there were 23 of the State directors there in person and I believe that only three felt that there might be some serious question about that approach.

Now, personally, I happen to be of the very strong personal belief for State administration. That, likewise, is the belief of our Governor; and with your permission, at the proper time, Mr. Chairman and members of the committee——

The CHAIRMAN. I have a statement from your Governor. I will insert this in the record, because Governor David Hall makes it very clear that he thinks that is the best approach. I will ask that be printed in the record at this point.

(The prepared statement of Governor David Hall of Oklahoma follows:)

PREPARED STATEMENT OF DAVID HALL, GOVERNOR, STATE OF OKLAHOMA

Mr. Chairman, I thank you for giving me the opportunity of presenting my views on legislation pending before the Senate Committee on Finance, H.R. 1. First, let me say, that I wish to go on record as favoring the principles of welfare reform, as adopted by the Governors' Conference in Puerto Rico, which I understand have been filed with the Committee. In general, I support the principles which appear in H.R. 1, and which principles I think should be enacted into law.

While our current system of providing for the welfare of the people was adequate in its day and served well, as did the Model-T Ford, changes in our society, both economically and socially, have necessitated an up-dating of our system of caring for people in need.

The very immensity of our federal government and its spending or lack of spending in different areas has such an economic impact on a community and industry that a given state cannot adequately meet the economic and employment needs of its citizens during such periods, even with federal matching under current programs.

It is with this in mind that I believe the time has come to finance the care of the needy from federal funds entirely, or with a very limited state supplementation, with some percentage of federal matching of the supplement. Much discussion has been given to the method of administration of H.R. 1 when enacted. The consensus of those in discussions I have heard favor state administration, with federal financing, similar to the relationship between the Department of Labor and the unemployment compensation programs. I am advised that the Chairman has stated his own inclination relative to this type of administration, using federal guidelines and supervision to assure compliance, with virtually all federal financing, and the basic administraiton being done at state and local levels. I heartily endorse what I understand to be the Chairman's views.

In the event that there are some states which, for reasons peculiar to that specific state, feel they cannot adequately administer the provisions of H.R. 1 the legislation should contain other provisions for making the administration optional with the state.

Time will not permit me to deal with the specifics of H.R. 1, as passed by the House, and now pending before this Committee. However, we in Oklahoma are much concerned relative to the administration of a welfare reform law, when enacted by Congress. Permit me to quote from the resolutions of the Governors' Conference on this subject:

C-2—Welfare Reform:

F. Allow for state administration without financial penalties if the state chooses to administer the program. (Policy Positions of National Governors' Conference 1971)

While I endorse the principle of the option, and consider it to be a "must" that the states be given the sole responsibility of the decision to opt or not to opt for state administration, I would like to state our thinking on the question of administration. As far as the State of Oklahoma is concerned, we feel very strongly that it is far better for the State to administer the program, than for the federal government to attempt to set up a new system. This is also the opinion of the nine-member Constitutional Board, the Oklahoma Public Welfare Commission, and its Director, L. E. Rader, who is authorized by me, as Chief Executive, and by his Commission, in addition to my statement, to advise the Committee of his and our great concern relative to this question of administration. I would like to point out what I consider to be some of the rationale of this position:

If states administer the program, through their welfare boards or commissions and the state administration, they will be better able to recognize the needs of their particular state. The state will have more input into the program, which should provide a stabilizing effect and a more objective evaluation of the program, on a day to day basis.

States currently have trained staffs which can put a new program into effect immediately.

States currently have offices leased or owned by the State which could continue to be used under the new program. This would prevent a tremendous problem in setting up a new program and would be much less costly administratively to the nation's taxpayers.

States currently have office equipment, desks, typewriters, and electronic data processing equipment which could continue to be used. With a change to federal administration, millions of additional tax dollars would have to be expended just to purchase equipment to begin the program. The logistics of this alone would bottle-neck the program, no doubt, for years following passage of the bill.

Mr. Rader advises me that it is his understanding that the Chairman has requested the Committee staff to prepare an amendment for a take-over of the bulk of state and local share of the medical care program for indigents, again using the states to handle eligibility and certification with the Social Security Administration making payments direct to hospitals and other providers and practitioners. This approach has my endorsement in principle.

I appreciate having the opportunity to share my views with the Committee and applaud your leadership in attempting to solve this very complex problem.

The CHAIRMAN. May I get in at this point? There is another model you should look at. I tend to agree with the chairman if it is possible to develop a relationship between HEW at the Federal level and State administration that can be effective, that would be the best solution, but I don't think this committee wants to continue, shall I say, the present points of view that exist in the present welfare system. We are trying to change it. I don't think we want to turn the administration over to the present people in their present jobs and when you get down the line have them say, "Well, this isn't any different than it was."

I was a member of another committee that developed a model for State administration of a Federal law. That committee set up—this is the so-called truth-in-lending law—that committee gave the Federal Reserve Board the power to administer the law but it also gave the Federal Reserve Board the power to contract with a State agency to administer the law at the State level provided the State agency could assure or could demonstrate to be Board that they had the capacity, that they would accept the basic guidelines that the Board laid down for its own administration and that, in effect, they became the agents of the Federal Government to administer the law rather than an independent State agency that went off on its own.

Now, as I have listened to these discussions the last few days, that model attracts me rather than the other one because that makes, that

creates this kind of a situation: If, in a given State, for any local reason the State agency goes off on a tangent or fails to carry its responsibility, the Federal Reserve Board can simply say, "You failed to meet your contract. We will take back the administration in your State," and it gives the Federal Government a relationship to the State agency that I think, is desirable compared with writing the law to say the State agency can administer the law on its own.

Mr. WYMAN. Mr. Chairman, could I respond to that?

The CHAIRMAN. Yes.

Mr. WYMAN. There are—well, in the first place the Governors conference at its meeting in Puerto Rico adopted this kind of a resolution, Senator Bennett, permitting States to opt in their judgment for a contractual agreement with the HEW to perform these services.

I think another possible model is one that Mr. Rader has in his State; we have in New York—in fact, every State has in some department or other—and that is the desirability determination on a contractual basis with the Social Security Administration.

Here is a fully financed Federal activity but performed by State employees.

The CHAIRMAN. Well, let me just make one thing clear: From the very beginning of this whole proposal there has been a use of the proposal of the administration to give away Federal money in order to buy a surrender of State sovereignty; and I resent it and, as one on this committee, I dont' propose to cooperate with it. They don't have the power to give that money away; they don't have it. All they can do is recommend it to us and the idea of paying States a cash bonus for surrendering their sovereignty is repugnant to everything I have known since I became interested in government.

So, as far as this Senator is concerned, there is not going to be any cash payoff for surrender of State sovereignty. If the State makes that decision they will make it where there is just as much money in favor of State independence as there is in favor of a surrender of sovereignty; and if you want to give away your sovereignty you can do it as a free decision, not one that is being paid for by a Federal bribe at the taxpayers' expense.

The same guy who is paying the Federal taxes is paying the State taxes; the same man paying your salary is paying my salary. The same thing is true of all the other State expenditures. It is just outrageous to me the way HEW has gone around here using Federal money to try to coerce these States in surrendering their own best judgment to support something that in many respects they don't find solid and sound.

Now, insofar as we can provide relief for the State governments, I will certainly vote to provide it. I will vote for the revenue sharing; I will vote to relieve the burden here. I will vote for putting up more money—no problem about that—and that is the way the majority of the committee feels and that is how the majority of the Senate feels, I am positive.

But so far as the idea of empowering HEW bureaucrats to go around here and promise all these Governors and administrators and workers in these State governments that they will relieve them of a financial burden which has been imposed, by the way, many times by outrageous

and unreasonable HEW regulations, will relieve them of their own ridiculously imposed regulations at least, we will cooperate with you.

We will cooperate with you, we will provide you with what it takes to have a good program and if I have any say about it, and I think some others feel the same as I do, we are going to relieve you of those ridiculous regulations.

Take that thing that says you can't put anybody to work. I think you got an exception granted for New York City; haven't you?

Mr. WYMAN. Yes, sir.

The CHAIRMAN. Have the rest of you got an exception granted, Mr. Rader, in Oklahoma, so you can put somebody to work?

Mr. RADER. Yes, sir.

The CHAIRMAN. Hurrah; we made a little progress. But most people are still not getting the right to put people to work.

If I had anything to say about how the bill would be shaped up, you can take every nickel of this family category and pay these people to work rather than just lie around doing nothing; and in that way it would be more attractive, and pay them for working rather than welfare; the work would be more attractive than welfare.

Those are some of the problems we have to face and however it works out, it would seem to me, it does not make a lot of good sense to pass a law that requires that we dismiss from their jobs a lot of dedicated, sincere people who are doing, have done, a fine job and are still doing so and make them go seek a job all over again; and we ought to just keep them in the ship where they are, the same office, same work, just ask a few more questions.

Did you want to say something, Mr. Rader?

Mr. RADER. Mr. Chairman, I hesitate to mention my own State. In this connection, however, I would like to say there is considerable precedent, as Mr. Wyman pointed out and Senator Bennett pointed out, for this type of administration.

We happen to be one of the States—there may be others—but we are the carrier for the title 18 program, title B of 18, and I would just say this with no disrespect to my Federal partners, I would rather work for them than to be their partners. [Laughter.]

The CHAIRMAN. Senator Anderson?

Mr. SCHMIDT. Mr. Chairman, I think it would be also useful for you to know that on this question, as presented here, of State choice rather than talking of mandatory systems, the council did, in its last meeting, pass a motion indicating that—well, I will read it exactly—very short—"That with respect to whatever legislation the Congress may enact, the Council support provisions that would assure States the option to administer income maintenance programs without the loss of any fiscal or administrative advantage when there are State funds supplementing Federal funds."

And there are two ways of looking at this, that is to say, and Senator Bennett's demonstration; there is a meeting of minds between the Federal Government and the States about is this the way we want to do it, versus the idea of just a one-way street.

The CHAIRMAN. Will you agree with me, if there is to be a surrender of State administration on an optional basis it shouldn't be where the State loses a lot of money in the event that it decides it wants to exercise its prerogative——

Mr. SCHMIDT. That's right.

The CHAIRMAN. Of maintaining a degree of State sovereignty?

Mr. WYMAN. Exactly.

Senator BENNETT. It seems to me, Mr. Chairman, if you give them an option you give them the right to decide whether they want to retain their State sovereignty or unload the burden on the Federal Government.

The CHAIRMAN. But if you give them the option on the basis that if you are going to have State administration it is going to cost you a great deal of additional money. With all the pressure that is on the State budgets and these Governors screaming for help anyway and begging for revenue sharing, the temptation there is to yield State sovereignty even as against one's better judgment.

Mr. WYMAN. Hobson's choice.

Mr. SCHMIDT. I should end with reference to this motion it ended with; as long as there is any State money which we don't know how long this will be.

Senator CURTIS. Mr. Chairman, might I suggest if the State has a right to exercise an option that they will administer welfare. I think we should insert in the law then that for that State, Federal regulations do not apply.

Senator BENNETT. On that basis, I think the Federal money should not be sent to that State.

Senator CURTIS. Oh, no. The Federal Government and the State are spending a lot more money because of the Federal regulations. Our States are perfectly competent to administer welfare.

The CHAIRMAN. Somebody must have the opinion that all you are doing, really, is giving these people back their own tax money. Now, that might not be correct but some of us would like to think that our taxpayers are supporting the Federal Government as well.

Senator Talmadge?

Senator TALMADGE. I concur in that, Mr. Chairman. We have been talking about revenue sharing and the Federal Government assuming additional burdens. We haven't had but two or three balanced budgets in 20 years and the deficit this year will be $45 billion. Maybe a good solution would be to authorize the States to print money like the Federal Government does. [Laughter.]

The CHAIRMAN. Senator Jordan?

Senator JORDAN. No questions.

The CHAIRMAN. Senator Ribicoff?

Senator RIBICOFF. You three gentlemen are out in the field with a lot of experience. With this bit of discussion around this table, I am sure you must be very discouraged at the prospect of H.R. 1 ever seeing the light of day; and I am not so sure that that discouragement isn't in line with what is actually going to happen.

I don't think that the administration has done a very good job of rallying public opinion or even explaining what they are trying to do. They really talk with a forked tongue and they have been talking with a forked tongue right from the beginning from the President down and this is what the end result is.

Now, you three gentlemen have a good deal of practical experience. If the Federal Government passes H.R. 1, the family assistance program, some 14 million people more will be added to the welfare rolls. One of the big mistakes the administration made was to put the working poor in the same category as welfare recipients, giving the false impression that these people you are talking about who are working day and night trying to make ends meet are traditional non-working welfare recipients. The working poor recipient is doing the best he can but he has a low-paid job and is just not making it; no matter what he does he just is not making it.

Now this is a very complicated field. The President and the Secretary have never told the American people, but we are really developing a new philosophy of public assistance in this Nation, and instead of being frank with the American people they have misled them. H.R. 1 to be honest, is sending this Nation into a guaranteed annual income or an income maintenance program; that is what it is and the people ought to know what they are voting on. I can understand that the overwhelming majority of this committee want no part of that. They don't believe in that philosophy and they are sincere men and I don't know whether the American people want this philosophy.

But a new philosophy is being projected and the executive branch doesn't have the courage to tell the American people what it is trying to do. Instead they try to do it clandestinely and kid them; the public will get wise to them and catch on they are not being told the truth, you see.

Suppose we have a program; let's say something passes. The chairman has promised the leadership and the President he would bring out a bill by March 1; it may not be March 1 but he has kept all his promises. Let's say he makes it March 15.

A debate like this on the floor will take a month at least. Then we go to conference with the House. So if any bill passes it will be pretty close to June 1. This plan is supposed to go into effect July 1, 1973.

From your experience, you who live with these social programs, do you think it is possible for the Federal Government to put into effect across this Nation a new concept of family assistance programs to aid the working poor in the space of 1 year?

Mr. WYMAN. No, sir.

Senator RIBICOFF. The three of you?

Mr. SCHMIDT. No, sir.

Senator RIBICOFF. Do you think you can do it in a year?

Mr. RADER. No, sir.

Senator RIBICOFF. Now, hasn't the time come for all of us—we have lived with this and I am just as guilty as anybody else; I was a Governor and I was Secretary of HEW and I am just as responsible for many of these programs—don't we have an obligation to the American people and ourselves before we embark upon a national program committing billions of dollars, with a new direction, to test this program out to see if it works?

Mr. WYMAN. A very prudent thing to do, Mr. Senator.

Senator RIBICOFF. All right.

Now, do you think it would be wiser to take this opportunity for families and to give the administration a year to pilot it out? I think one of the greatest mistakes this administration made when they first came up here was to reject the idea of pilot programs, even though the committee was virtually unanimous in favor of pretest programs.

Senator Williams who opposed it tooth and nail out of sincerity and belief because he didn't believe in it, a man for whom I have the greatest respect, although our political philosophies are different, would have been willing to vote any amount of money necessary to pilot it out; and we could have finished that pilot program in 2 years if the administration had not fought that. So now there are proposals for the working poor that we have that I conceive of from my experience in every phase of government would be impossible for this country to put into effect without having one God awful snarl and tying the Nation into a knot.

Aren't we better off, then, to face realities? To have a pilot? And, may I say, Mr. Chairman, I don't think the administration is even playing fair with us. It came to my attention there are some studies being made in this field, studies being made in Georgia; Cook County, Ill.; the State of Colorado, New Jersey, Seattle, Denver, and Gary and Vermont. And I think even before we contemplate this, I think the administration should come up to this committee and tell us what they have found out in these studies and I would hope that you would ask the administration to explain these studies to us. Some of these studies were to be 3-month studies, some 2 years, some 3 years; they have some information.*

Now, also, Mr. Chairman, the present new budget provides for $450 million to do the planning for welfare reform.

We don't know how programs for the working poor are going to work. My philosophy is different from the chairman's and I would say the overwhelming majority on this committee.

I think that there can be no greater objective for any nation than to eliminate poverty. We have hedged these programs around with confusion and rhetoric and I don't know how they are going to work out. Shouldn't we pilot out reworking poor program? Two years it should have been done. We should still do it.

There are many thoughts that the different Senators have here that I may disagree with but I respect their opinions and they have got some good ideas. There isn't a man around this table who hasn't come up with what I have considered some very thoughtful suggestions.

Would you advocate that this committee should, first, do the necessary reform on welfare itself that has to be done—and there are many of them. Take in many of the adult categories and put them under Social Security. Provide the States with fiscal relief. I share the chairman's point of view that I don't want 80,000 Federal employees running the whole welfare system around this country. I think that there are Governors and men like yourselves with experience in the field that can do a much better job than an 80,000-man bureaucracy centered here.

*The Committee on Finance subsequently requested from the Department of Health, Education, and Welfare a report on Government funded income maintenance experiments. The reply of the Department appears as appendix G of this volume.

As a matter of fact, I think the bureaucracy is too large and I think HEW is too large. I thought that 1 week after I become Secretary of HEW and I could never get any other Secretary to agree to it until he got out and then he said, "You were right, Abe."

But I am unwilling to create an agency to deal with humans made up of 100,000 or 200,000 people to run the lives of 201 million Americans. It just can't be done.

I am trying to salvage something out of this. I personally think that the President's concept of family assistance aid to the working poor is good. The thing that I quarrel with is I don't think the President believed in it. If he believed in it he could have done something with it. He was sold an idea that was a good idea but in his heart he didn't believe it was right.

But I still think the idea is good.

Now, this committee 2 years ago would have piloted this out to see how it would have worked. I don't know whether they feel that way any more, whether they would still go for a pilot program. I think the pilot program is worth trying and I think it has to be understood by the administration, that as a practical matter even if we gave them everything they wanted, they would bog down with one of the greatest social and economic failures of the entire American social and economic system, and I don't want to see that happen because my feeling is, Mr. Chairman, that if we had piloted out medicare and medicaid we never would have had so many problems. All I can say to you, Mr. Chairman, if I am still on this committee and if I am still a U.S. Senator and we have a health insurance program, I am going to insist that before any health insurance program comes out we pilot it out before we enact a universal, general health insurance program.

Now, I respect you men; I know you; I have worked with all of you. I know you by your reputations and I have worked with you in other fields. I would like for the three of you to answer, do you think the most practical way is to pass this bill or to pass a pilot program and find out whether the thing works?

Mr. WYMAN. Mr. Chairman, and Senator Ribicoff, speaking for myself and I think it would generally reflect their views, however, Mr. Schmidt and Mr. Rader certainly should have an opportunity to express their own views, I would agree with that concept, with one proviso, and that is that the burden of the increasing costs of welfare and medicaid on State and local government makes it absolutely imperative that while such a program, a pilot program, is underway that there be an increase in the Federal share of the present——

Senator RIBICOFF. Sir, I have introduced an amendment which I will fight for on the floor. I have not talked to the chairman. I don't know if it has his support. Anyway, I freeze the State welfare costs at the 1971 level and provide that thereafter any increased costs over the 1971 level would be assumed by the Federal Government.

I don't know what the committee and Senate will do, but it is the same proposal that Chairman Mills has introduced in the House, and

I have introduced it in the Senate because I realize that every State is in a desperate situation right now.

Mr. WYMAN. I think that is absolutely essential and should go hand in glove with any pilot testing of the family assistance program. I gathered this is what you have in mind for a pilot program, while the aged, blind, and disabled, the social services concepts, those would move with the legislation.

Senator RIBICOFF. You see, there are two things we can do here—will you pardon me for taking the extra time, Mr. Chairman, because we might be straightening out a lot of things around this table.

The CHAIRMAN. Very interesting, worthwhile contribution, Senator; take all the time you want; it is a worthwhile contribution.

Senator RIBICOFF. You see, first, if we get bogged down on one of those deep confrontations on the family assistance program, almost all welfare reform is going down the drain with that; and the family assistance program for the working poor, from my experience in different categories of government, could not be put into effect nationwide in 1 year's time; it just can't be physically done, you see.

If that is the case, then we have got two problems we can work on in this committee: We can clean up the many reforms in the social security system, in the present welfare system which wouldn't be a tough job. Then we can take the opportunities for families program, if this committee is so inclined, to pilot it; let's see how it works before we make it nationwide.

Then, at the same time, we can look at the problem of the States that you men are struggling with and give you the necessary fiscal protection.

This would cost about $1 billion a year, to freeze you into the 1971 level.

I have lived with this thing now, as Senator Long has, and I am constantly trying to work out all kinds of ideas as to how we can make this work. And the more I think about it the more I believe that I can't honestly say that the program that I advocate or the President advocates can be made to work in 1 year's time. I think the time has come when we have to stop that and start looking at the priorities of social programs. If the chairman will allow me, let me take one step ahead along the same line.

There are 168 so-called poverty programs. These cost some $31 billion. Now, some of them are good; we should keep many of them; they are important. But as I analyze those programs, the thing that keeps coming back to me time and time again, is that poverty in the last year has gone up 5 percent in America. Now, the programs that you men administer in your States, do you think that each one of those 168 programs is necessary or effective?

Mr. SCHMIDT. Well, I think that to whatever extent we are involved in some number of the mentioned 168, that presently they are too frag-

mented, and they are, therefore, splintered and create problems of coordination in the sense that one has impact on another, and that is viewed in this total dimension; and I think we do need to consolidate program activities.

This is one of the things that we are concerned about, really, in the format of H.R. 1, is the distribution of responsibility in this to different jurisdictions. So I think that we could cite in our positions instances where some of the programs would not be producing as much as could fully be expected from them were they to have been more completely put together.

Senator RIBICOFF. The Federal Government passes a program, and they go to you and your Governor and they say, "Now, look, we have got a new program. We are going to make it matching 90–10, 80–20, 60–40, 50–50; and if you gentlemen want this program, if you put up so much money, you can participate." You are not sure of the program, but all of a sudden you see the Federal dollars coming in, and you say, "Hey, we ought to have a piece of the action."

Mr. SCHMIDT. Right.

Senator RIBICOFF. But that piece of the action may not be what you want in your State. You would be very much better off without it.

Mr. SCHMIDT. We are very much pushed in that direction.

Senator RIBICOFF. If you looked at those 168 programs and started consolidating them and looked at them, I have a hunch you couldn't save $31 billion; but on the basis of priority, you could probably find $10 billion in that $31 billion spent to alleviate poverty.

The real irony is if you took that $31 billion and divided it among people in poverty in this country, every family of four on poverty would be receiving $1,000 above the poverty line. Now, people are poor because they haven't got money.

Somebody has to tackle the problem of restructuring our poverty programs. Unfortunately, we don't have the staffs and the know-how; the executive department has it, but it is a permanent bureaucracy that keeps on perpetuating itself.

My apologies to you, Mr. Chairman, for taking so much time.

Senator TALMADGE. Mr. Chairman, may I ask Mr. Wyman a question or two?

Mr. Wyman, yesterday, former Senator Wise of your State, who was chairman of your welfare committee for some 15 years, testified——

Mr. WYMAN. Senator Henry Wise?

Senator TALMADGE. Yes, sir. He stated that a truckdriver who worked for a governmental unit in New York State, with six children, resigned his job and went on welfare because the welfare benefits in New York were higher than the job paid him for driving a truck. Is that possible?

Mr. WYMAN. Well, as I mentioned before, what we do, we think it prevents that very thing from occurring, is to supplement even his

full-time wages to bring him up to our welfare level, to give him the difference so that he wouldn't quit to go on welfare.

Senator TALMADGE. What would be the supplement now for a family of eight in New York? I assume he was living with his wife, although the Senator did not state that; that would be six children, a man, and his wife. How much supplement could he get in New York State?

Mr. WYMAN. Well, we have a standard benefit that is based on the size of the family, the number of persons to include all items of need except shelter, and this is on an as-aid basis—shelter and fuel—so that I could not give you an exact figure.

It works out—we use the family of four as the normal base and taking an average rental, the amount of money that a family of four gets on welfare in New York amounts to $3,800, approximately $3,800.

Senator TALMADGE. $3,800 for a family of four?

Mr. WYMAN. Yes, sir; so it would be obviously larger for this family that you have mentioned.

Senator TALMADGE. What would you estimate that it would be in your capacity as welfare director of the State of New York?

Mr. WYMAN. Well, it would be something over $4,000 a year.

Senator TALMADGE. $4,000 plus?

Mr. WYMAN. Plus.

Senator TALMADGE. But you don't know what the ceiling could be?

Mr. WYMAN. I can provide that for you, Senator.

Senator TALMADGE. I would appreciate that.

(Mr. Wyman subsequently submitted the following additional information:)

STATE OF NEW YORK,
DEPARTMENT OF SOCIAL SERVICES,
Albany, N.Y., February 9, 1972.

Hon. HERMAN TALMADGE,
Member, Senate Finance Committee,
Senate Office Building,
Washington, D.C.

DEAR SENATOR TALMADGE: On January 28 I testified on behalf of the American Public Welfare Association before the Senate Finance Committee considering H.R. 1. On that occasion you asked me questions regarding the budgeting procedure in New York State for public assistance recipients, and specifically the allowances permitted a family of eight including a husband, wife, and six children. I was unable to supply the information at the time but assured you I would submit it later.

I have requested my staff to provide this information, and they have developed the attached memorandum on the subject of budgeting, together with examples of the allowances provided a family of eight, as you requested.

I hope this information will be of assistance to you. If there is anything further required please contact me.

Sincerely,

GEORGE K. WYMAN, *Commissioner.*

Enclosures.

MEMORANDUM

To: Mr. Edward Maher
From: Patrick T. Kelly
Date: February 8, 1972
Subject: Budgeting

In order to determine whether an applicant or recipient who is fully employed is entitled to supplementary assistance, the following procedure is applicable:

1. Needs.—The agency includes in its estimate of need all persons applying for or receiving public assistance and care and living as a unit within the same household. In determining the standard of need, the items considered include:

(*a*) Allowances (determined from SA–2 or SA–3).
(*b*) AABD allowance of $6.25 or $10 (limited to AABD).
(*c*) Shelter (cost for rent as paid up to agency maximum).
(*d*) Fuel for heating (determined from SA–6).
(*e*) Restaurant allowance (for persons unable to prepare meals at home).
(*f*) Room and Board (allowance provided if applicable plus $17 for personal expenses).
(*g*) Training allowances.

The subtotal is determined by adding all applicable items *a* thru *g*. To this subtotal certain "purchase of service" items are considered and if applicable are added. These include:

(*h*) Homemaker services.
(*i*) Housekeeping services.
(*j*) Child care.
(*k*) Camp fees (for ADC only under specific conditions).

Estimated total needs are the sum of all items.

2. Income.—In computing the amount of net earned income to be applied against the estimate of needs, the following deductions are made:

(*a*) The amount of exempt earned income is deducted from the gross amount of earned income—

(For AB—$85 per month plus ½ balance);
(For ADC—$30 per month plus ⅓ balance);
(For HR—$30 per month if income increased as a result of a training program);
(For AADB—$7.50 per month).

(*b*) All nonpersonal work expenses (union dues, tools, licenses, materials, uniforms, special clothes required for the job, etc.).

(*c*) All personal work expenses (federal, state and local taxes, social security taxes, disability insurance, group insurance, meals and transportation).

(*d*) Special work expenses in OAA, AD, and HR.

1. Disabled person—$40 per month.
2. Minor—$40 per month.
3. Homemaker—$40 per month.
4. Other employed person—$20 per month.

The net amount remaining and any other income (i.e. support payments, social security, etc.) is applied against the estimate of need.

3. Surplus/Deficit and Grant.—When the estimate of regular recurring need exceeds the available income and/or resources, the difference is the "budget deficit."

When the available income and/or resources exceed the estimate of regular recurring needs, the difference is the "budget surplus."

The attached budget examples are based upon a family of eight persons and are for illustrative purposes.

Example No. 1.—Home Relief family of 8 persons residing in Albany, New York with parents unemployed and no income.

Example No. 2.—Home Relief family of 8 persons residing in Albany, New York, with the father employed at $2 per hour for a forty-hour week. Assuming the employed adult pays $0.60 a day bus fare to and from his place of employment.

Form DSS-546 (Rev. 6/70) (Formerly PA-14) Example #2

BUDGET WORKSHEET

State of New York — Department of Social Services

Case Name	Program	Case Number	No. in Assist. Household
Michael Brown	HR	001	8

LIVING ARRANGEMENTS — SHELTER ☐ Own Home ☒ Rent (includes ☐ Heat) — FUEL PERIOD (specify) 8 months

No. Persons in Hsehld 8 — ☐ Restaurant Allowance — ☐ Other Arrangement (specify)

SECTION A. NEEDS

Item of Need	Allowance	Program: HR		
1. Allowance SA-3	378.00			
2. AABD Allowance $6.25/$10.00				
3. Shelter *	130.00			
4. Fuel for heating	34.40			
5. Restaurant Allowance				
6. Room and board				
7. Training				
8. SUB TOTAL By Program	542.40			
PURCHASE REQUIREMENTS				
9. Homemaker				
10. Housekeeper service				
11. Child care				
12. Other (specify)				
13. Other (specify)				
14. TOTAL NEEDS (sum of items 8 thru 13)				

SECTION B. INCOME

1. Net Applicable Income (Section D, Item 7)	271	71	
2. Other Income (Section E)	0		
3. TOTAL INCOME (Item 1 plus 2)	271	71	

SECTION C. SURPLUS/DEFICIT AND GRANT

1. Surplus	0		
2. Deficit	270	69	
3. Other than cash grant (Explain in "Remarks")	0		
4. Met by cash grant	270	69	

Period of Cash Grant

Caseworker's Signature — Date Signed

SECTION D. EARNED INCOME

Explanation	Wage Earner's Name		
1. Gross monthly income	344	00	
2. Exemptions *	~~20~~ 0		
3. Non-personal work expenses (union dues, tools, licenses, etc.)			
4. Personal work expenses a. Federal income tax (no tax because of low exemptions)	0		
b. State income tax	0		
c. Social security tax	17	89	
d. NYS disability insurance			
e. Transportation	12	90	
f. Lunch $1.00 per day	21	50	
g. Other (specify)			
h. Other (specify)			
i. Other (specify)			
5. Special work expenses	20	00	
6. Total deductions (Add lines 2 thru 5)	72	29	
7. NET APPLICABLE INCOME (1 minus 6)	271	71	

SECTION E. OTHER INCOME

Person's Name	Nature of Income	Amount *	Distribution by Program		
none					
TOTAL OTHER INCOME					

REMARKS

* Agency maximum for 6 person household.

* INSTRUCTIONS ON REVERSE

Form DSS-548 (Rev. 6/70)
(Formerly PA-14) Example #1

BUDGET WORKSHEET

State of New York — Department of Social Services

Case Name	Program	Case Number	No. in Assist. Household
Mustard Brown	HR	001	8

LIVING ARRANGEMENTS — SHELTER ☐ Own Home ☒ Rent (includes ☐ Heat) — FUEL PERIOD (specify) 8 mos.
No. Persons in Hsehld — ☐ Restaurant Allowance — ☐ Other Arrangement (specify)

SECTION A. NEEDS

Item of Need	Allowance	Program: HR		
1. Allowance SA-3	$378.00			
2. AABD Allowance $6.25/$10.00				
3. Shelter *	130.00			
4. Fuel for heating SA-8	34.40			
5. Restaurant Allowance				
6. Room and board				
7. Training				
8. SUB TOTAL By Program	542.40			
PURCHASE REQUIREMENTS				
9. Homemaker				
10. Housekeeper service				
11. Child care				
12. Other (specify)				
13. Other (specify)				
14. TOTAL NEEDS (sum of items 8 thru 13)				

SECTION B. INCOME

1. Net Applicable Income (Section D, Item 7)	none		
2. Other Income (Section E)			
3. TOTAL INCOME (Item 1 plus 2)	0		

SECTION C. SURPLUS/DEFICIT AND GRANT

1. Surplus	0		
2. Deficit	542.40		
3. Other than cash grant (Explain in "Remarks")	0		
4. Met by cash grant	542	40	

Period of Cash Grant 2/1 - 2/29

Caseworker's Signature — Date Signed

SECTION D. EARNED INCOME

Explanation	Wage Earner's Name		
1. Gross monthly income			
2. Exemptions *			
3. Non-personal work expenses (union dues, tools, licenses, etc.)			
4. Personal work expenses a. Federal income tax			
b. State income tax			
c. Social security tax			
d. NYS disability insurance			
e. Transportation			
f. Lunch			
g. Other (specify)			
h. Other (specify)			
i. Other (specify)			
5. Special work expenses			
6. Total deductions (Add lines 2 thru 5)			
7. NET APPLICABLE INCOME (1 minus 6)			

SECTION E. OTHER INCOME

Person's Name	Nature of Income	Amount *	Distribution by Program		
none					
TOTAL OTHER INCOME					

REMARKS

* Cty. may maximum for 8 persons in household

** eight months heating schedule from SA-8

* INSTRUCTIONS ON REVERSE

Senator TALMADGE. I remember one time the benefits in New York State under medicaid and welfare reached $12,000 a year.

Mr. WYMAN. Well, they went up to $6,000 for a family of four, and the legislature found that it was necessary to reduce those standards.

Senator TALMADGE. I think the Finance Committee found it was necessary before your New York Legislature reached that conclusion, did they not?

Mr. WYMAN. I think everybody came to the same conclusion, Senator.

Senator TALMADGE. And you used a family of four again. My recollection is, again, that the larger family got up to $12,000 and was receiving free medicine; is that correct or not?

Mr. WYMAN. That is correct. If the family were large enough, and what happened was the legislature then took that level, that $6,000, for a family of four, brought it down to $5,200. It is now down to $4,500. However, we are in the courts on this case to bring it down from $5,000 to $4,500, and the courts have enjoined us and enjoined the State from this most recent reduction.

Senator TALMADGE. Federal court, I presume?

Mr. WYMAN. Yes, sir; it is a Federal court.

Senator TALMADGE. That is logical.

How many welfare beneficiaries do you have in New York?

Mr. WYMAN. 1,800,000.

Senator TALMADGE. 1,800,000?

Mr. WYMAN. That is people; 900,000-plus of them are children.

Senator TALMADGE. How fast are your welfare rolls increasing annually in New York?

Mr. WYMAN. Well, fortunately, they have slowed down this past year. They were increasing at a rate of about 5,000 a month, and the period from April through August they leveled off. In fact, in the upstate New York area they actually decreased, and then began with the end of the farm labor season and so forth to go back up again in the fall.

Senator TALMADGE. Do you anticipate that some of the recent Supreme Court decisions are going to accelerate an increase in your rolls again? For example, your residency requirement—I noticed the Federal court struck it down a few days ago?

Mr. WYMAN. Well, it won't help to reduce it; no, sir.

Senator TALMADGE. How much has the requirement that the beneficiary pickup his check in person slowed down the increase in your welfare rolls?

Mr. WYMAN. In the 5 months since it went into effect on the 1st of July, there were 20,000 people who failed to comply with the requirement and who were removed from the rolls.

There were another 13,000 who obtained employment as a direct result of this effort to increase job training; and one of the things here, Senator, I think, that is very important, considering the level and the quality of the experience and knowledge of these people, is that the employment service is charged by the statute to go out and actually develop jobs, actually promote jobs that these people can handle.

Unfortunately, there hasn't been sufficient money to do this part of the work and considering the general state of the economy the

result of that, I don't think, are as much as Governor Rockefeller and the members of the legislature and all of us had hoped for.

However, we have undertaken a study of the results of this first few months of activity under this program, jointly with the U.S. Department of Labor, or own State labor department, our own social services department, and HEW. The results of that study, random selection of cases that were under this check-pickup arrangement, and what happened to them, what kind of jobs they get, how long they keep them, all of these facts that we didn't have at hand, are just being compiled now; and it is my understanding, Mr. Chairman, that Governor Rockefeller will be apearing here to testify next week and he will have available to him a summary of this initial study, and I think you will be very much interested in the results of that. I don't happen to have them but he will.

Senator TALMADGE. What percentage has failed to personally pick up their checks?

Mr. WYMAN. Well, this ran at about 20 percent of those.

Senator TALMADGE. One out of five?

Mr. WYMAN. One out of five.

Senator TALMADGE. How do you account for that, Mr. Wyman?

Mr. WYMAN. Well, that was the initial group. After you get a look at why they didn't, half of them had a valid reason for not being there—the babysitting or day-care arrangements broke down that day; somebody get sick, the car broke down, they couldn't get to the office, any number of reasonable reasons.

Another quarter of them actually were out and had gotten some other support, some other job on their own and the last quarter had not been fully found as to why, but in any event it was running better than 20 percent who were failing to get—pick up their checks as they expected.

Senator TALMADGE. Is it true that one out of every seven people in New York City is on welfare?

Mr. WYMAN. Yes, and fortunately for us that is not the highest percentage in the country. Boston has one out of five. [Laughter.]

Senator TALMADGE. New York is second?

Mr. WYMAN. Well, right along with some other major cities.

Senator TALMADGE. Yes.

Mr. WYMAN. But I think you see, what we have had is this: As was mentioned earlier, real revolution on the farm, cotton chopping and picking are no longer needed.

Senator TALMADGE. I am aware of that.

Mr. WYMAN. And people, you know how they move, and they bring skills that are not in demand when they get to a city.

Senator TALMADGE. Let me ask you one final question, and I want to apologize, Mr. Chairman, and members of the committee, for taking so much time. This bill would make eligible for welfare something on the order of 25 million Americans. That is almost one out of every eight citizens in the country. We already have about 25 million social security beneficiaries, as I recall; that is about one out of every eight.

When you add the two together—of course, you have a good deal of interlocking—you would probably have more people drawing assistance from the Government either in the form of social security or welfare than you would have paying taxes.

Do you think that is a healthy situation for our Government?

Mr. WYMAN. Certainly not, if that is the outcome.

I think it is kind of interesting, Mr. Chairman, and Senator Talmadge, to get the estimate of the Social Security Administration which expects that twice the number of aged will qualify under H.R. 1 than are now eligible because it would eliminate responsibility of relatives, eliminate liens, and raise in some places the amounts of assets that a person could get and still receive assistance; and along that line, and I should have mentioned this earlier, Mr. Chairman, one of our concerns is that the benefit proposed here for aged, blind, and disabled, as you know, is quite, we think, reasonably adequate for a single individual but when you have a couple or when you have a brother and sister living together, the benefit is cut back drastically and we think that people under those conditions ought to be considered on an individual basis, just as while they would be allowed to have $1,500 in assets as a single individual, they only will be allowed to have $1,500 if there is a couple and this seems quite unfair to us.

We understand that in Louisiana, Senator, the allowance for a couple comes quite—$2,800 or something of that kind.

Now, it may be that the committee would not wish to have an allowance of $2,800 in resources for a couple under the aged program, but those who are already getting benefits should not be denied the opportunity to continue; they ought to be grandfathered in, it seems to us, if you do decide to set a lower limit for resources.

Senator TALMADGE. Mr. Wyman, when this bill was before the House, it was sold to the country and to the House with the idea that it would reduce the number of welfare beneficiaries in the country.

Do you anticipate that it will ever have that effect?

Mr. WYMAN. No, sir. I think the Department has estimated, as you you have stated, twice as many people would qualify, as you have.

Senator TALMADGE. Thank you, Mr. Wyman and gentlemen; I appreciate your contribution. It has been extremely helpful to the committee.

The CHAIRMAN. Senator Fannin?

Senator FANNIN. We have talked about pilot programs and I know you are very familiar with what has happened to medicare. If we could have had some pilot programs we perhaps would not be in the position we are today in medicaid. We had two Governors testify the other day, the Governor from Illinois, that medicaid now represented 44 percent of their total welfare program costs.

But taking that into consideration, I can recall what happened with our committee, and I think the Senator from Connecticut has referred to the discussion of the committee and referred to Senator Williams and I just want to pose this question to you:

Would it not be proper to have the pilot program and get the experience and have the information before we write the legislation?

Mr. WYMAN. Well, I think that was our response to Senator Ribicoff. We thought this could be helpful and, I might add, Senator Fannin, if the administration chose New York State as the pilot State, we would be very happy to participate in the pilot program.

Senator FANNIN. Well, I think that was the question in Senator Williams mind because Senator Williams did want a pilot program, was willing to support a large enough budget to have proper pilot

programs in one State or one area or several States or several areas, but a delay of the legislation would have been involved and so it was not agreed to.

I think a large number of the members of this committee—I don't know whether more than 50 percent or not—but I think 50 percent would favor a pilot program and then write the legislation; and that is why I feel it is essential if we could have these pilot programs, before we get into trouble again such as we have gotten into with the medicaid and medicare.

Mr. WYMAN. If I could repeat my one proviso that during this pilot period States be assisted with their immediate financial problem.

Senator FANNIN. I would certainly want to be a part of it and, furthermore, in some of the areas which I know are not questionable, taking care of the blind, the aged and the physically handicapped and all, to go forward with those programs. But these programs—the FAP, where it applies to the guaranteed annual income and all, what the results would be, what the costs would be, here we have information the adverse impact of a partial offset of earnings by reduced welfare benefits would be only slightly lessened by raising the disregard from one-third to one-half of the earnings, but the number of recipients would then go up by another 9 million eligibles, from 19 to 28 million persons. If the benefit level were lifted from $2,400 to $3,200—and there are proposals pending that would boost it as high as $6,500—the number of eligibles, with a 50 percent earnings disregard, would go up to 42 million, at a $3,000 level to 54 million. That means that one-fourth of the U.S. population would then be on assistance programs.

So we don't know whether this is correct because we don't know how many would be coming off—that is the great question—and so if we could have a pilot program, properly administered, if you had the information available before we write the legislation, I think it would be a plus.

Mr. SCHMIDT. Senator, could I add a comment on this?

I agree with Mr. Wyman that as long as during a period of trial States are protected from what now is a very distressful and almost chaotic situation with respect to State funds, but I think there are other hazards in this as well that must be very carefully kept in mind and that is not only preserving States in their present program standards while standards of a different quality are being studied and demonstrated in whole States, if you are going to have a large enough sample for a pilot to be a useful result, things like people in other States besides those under pilot consideration continuing to receive benefits with tax dollars from both the Federal and State levels which are not up to what would be those under study in the pilot areas and what kind of pressures this puts on the continuing administration in those States, where the folks represented by their spokesmen would be saying, "You know, how can we get right now to these equivalencies?"

Senator FANNIN. Of course, you have not established equivalencies so I don't think you could right now.

Mr. SCHMIDT. Yes.

Senator FANNIN. And I think that is something—we can't get the cart before the horse. We have to realize that we will have some delays and, of course, we also know that the cost of living is not the same in every area of the country.

Mr. SCHMIDT. That is correct.

Senator FANNIN. So there are many variables and I don't think we have taken into consideration all of these variables; and I believe that a pilot program would perhaps educate us to what should be done and how it should be done and what the costs would be.

Now, I am vitally concerned because we talk about the needs and we know we have a tremendous need for a new health program, for a new welfare program. Now, here we have gone through the child development program that would cost a tremendous amount of money and so we add it all up and some people talk as much as $150 billion of additional costs. It all depends on where you set the levels and what is necessary, but we don't know what is necessary at the present time.

If we could have a pilot program and establish these facts and figures to a far greater extent than we have established them to date. We have Governors coming in here and talking about their States; they would like to have the Federal Government take over the program completely, administration and all, of the program, but when you really delve into it with them they say, "We at the State level can do the job better but we need the Federal financing.

Well, that is true. They can do it much better and the big problem then gets down to money and I think that is where the problem must be settled and I certainly am very much in favor of trying to do what is needed and what is adequate but, at the same time, what we can afford.

I don't want to bankrupt this country in carrying through a program that we must drop at a later time. If we set up something we cannot carry through then we are in much more serious trouble than if we have a pilot program before we write legislation.

Well, thank you.

The CHAIRMAN. Senator Byrd? Incidentally, there is a vote going on on the Senate floor. I am going to remain here until the five lights show up to indicate the vote is nearly over, if the Senators want to vote and come back.

Go ahead, Senator Byrd.

Senator BYRD. I just want to make a brief comment on Senator Ribicoff's remarks.

I have long felt that Senator Ribicoff was not only one of the finest men with whom I have been associated but also one of the ablest. I watched his record as Governor of Connecticut. When he was appointed by President Kennedy to the Cabinet in 1961, in every speech I made in Virginia I predicted that certainly from my view he was the ablest member of President Kennedy's Cabinet.

I remember well 2 years ago when some of the members of this committee, at President Nixon's request flew to California to the summer White House, and Senator Ribicoff suggested at that time that there be pilot projects to test out the family assistance plan, in my remarks at that same meeting I associated myself with Senator Ribicoff's views.

When you talk about a gigantic program such as this one is, where it doubles the number of eligible persons on public welfare, where it increases the costs in 1 year by 40 percent to the Federal Government, when you consider the fact that the Government is now running huge deficits, gigantic deficits, it seems to me that this Congress had better

know what it is doing before it passes a welfare program the ramifications of which, any way you look at it, are terrific.

Senator Ribicoff mentioned a possibility of a month's debate in the Senate. It seems to me, whether the Senate passes or does not pass it, my only hope is that the Members of the Senate will understand it, understand the full ramifications of this program.

I don't believe that the Members of the Senate are going to understand this program in 1 month's time and I doubt if they are going to be able to understand it in 2 or 3 or 4 months' time.

As I say, the ramifications are so great, I think Senator Ribicoff has thrown out an idea today that hasn't been expressed around this table for almost 2 years, I believe.

I remember in this room next door, in our executive sessions, with the Under Secretary of HEW, and I think with the Secretary of HEW also, both Secretary Finch and Secretary Richardson, Under Secretary Veneman, this committee urged him 2 years ago to permit legislation setting up pilot projects and they absolutely turned that down, refused to consider it, refused to consider it unless the committee and the Congress simultaneously would give them the right to put the program into effect and make it go into effect mandatorily regardless of what the pilot project showed.

Of course, the committee wouldn't approve such a proposal as that and it came to naught.

Until today, I think, it is the first time that such a possibility has been mentioned. I think it is well to give consideration to this proposal thrown out today by the Senator from Connecticut.

Thank you, Mr. Chairman.

Senator RIBICOFF. Thank you for your remarks.

The CHAIRMAN. I want to say this: I should become accustomed to it, but it is constantly amazing to me the brilliance and the statesmanship of the Senator from Connecticut to resolve an impasse and to come up with an answer.

Frankly, I have always felt that the administration made a very bad mistake when it did not take us upon the proposition that we would be willing to let them try the program and see how it worked. These moral rearmament people sold me one point and that was their theory that it is not a matter of who is right but a matter of what is right. I would cheerfully be willing to vote the funds for you to prove me wrong if you can and I think if you had proved me wrong I would be glad to admit it. But it certainly didn't make any of us who were trying to cooperate with the administration have any confidence in their representations. I suggested to them they try it right here in the District of Columbia where everybody could see it, try it right here where the Congress meets; and, incidentally, they said they thought that probably would be the worst place to try it at that time. But it would be fine with me to try it and if it works, fine.

If that approach is taken I want to assure you gentlemen that still won't keep this Senator from moving an amendment that would provide major relief by additional Federal grants; and I hope—I would prefer to make it just with no strings attached just so long as you use it to help poor people, put them to work hopefully or if you don't put them to work just take it and match it with Federal funds to put more people on the rolls if that is what you want to do.

But I would think that if we do this the States that are not in the pilot program ought to have substantial relief from this growing, burgeoning caseload, much of which is there because of HEW regulations imposed on the States against the States' will. We would have a chance then to see what the States can do when they have some discretion with their program and meanwhile to observe what progress can be made by the State that is selected.

There is only one reservation I have about the State of New York being the State where you test it: that is such a big State I would wonder if you couldn't be a little less ambitious and try it somewhere where it wouldn't cost so very much more money; but, frankly, I would say to you, Mr. Wyman, in the spirit of compromise if you want to take the whole State of New York, I would be willing to go up there and try it. I would just as soon you don't try it in Louisiana. I think if you tried the program there you would have so many people on the welfare we couldn't get any people to go to work. But I would be willing to try it in some State, in Oklahoma if you would like to try it there, Mr. Rader.

Mr. RADER. I would be willing, Mr. Chairman.

Mr. WYMAN. I think you would need a little mix, you know, a more rural area and a more urban area.

The CHAIRMAN. Would you like to try the family assistance program in Oklahoma, Mr. Rader?

Mr. RADER. I would be very happy to, Mr. Chairman.

I was quite interested in one of the remarks that has not been discussed fully as some of the others have by Senator Ribicoff and that is that this committee take a hard look at many of the overlapping programs we are all trying to administer and other people trying to administer; everybody is getting into the act.

The CHAIRMAN. Well, thank you very much, gentlemen.

(The prepared statement and attachments of Mr. Wyman follows. Hearing continues on p. 1690.)

PREPARED STATEMENT OF GEORGE K. WYMAN, AMERICAN PUBLIC WELFARE ASSOCIATION

SUMMARY

For more than forty years the improvement of the adequacy and effectiveness of the public welfare programs of this country has been the primary and continuing concern of the American Public Welfare Association. This Association holds that:

Full employment at adequate wages should be the goal for all persons able to work whose services are not required at home. To the fullest extent possible, jobs should be available through the private enterprise system and normal operations of government as it maintains public services and facilities. There should be a full range of manpower training resources to afford the opportunity, as needed, to acquire necessary skills for entry to employment and for upgrading job skills. To the extent that employment is not available through these regular channels, despite concerted public and private efforts, useful work opportunities should be provided by the government to help employable persons further develop and maintain their work habits and skills.

A comprehensive financial assistance program with adequate national minimum standards should be available, on the sole basis of need, to assure to all individuals and families an income no lower at any given time than an officially established poverty level.

Comprehensive social services should be available to all who need them, including services—

To promote opportunities for attaining self-support;

To improve individual functioning, facilitate independent living, and strengthen family life;

To protect children and adults where necessary.

Wage-related contributory insurance under the social security system is the preferred method for financing and administering income maintenance programs, and should be extended to afford protection against all insurable risks to family and individual economic security

Measured against these objectives, we believe that the provisions of H.R. 1 in its present form would constitute a partial reform of the public welfare system, and would provide a basis for further development.

Interim fiscal relief for the states under the present system is urgently needed pending the establishment of the new system.

Social security cash benefits should be increased in an amount greater than 5 percent as passed by the House.

We strongly advocate the transfer of the three adult assistance categories, as proposed in H.R. 1.

The central features of this legislation, which constitute the basis for our support, include the following:

The establishment of a national minimum standard of assistance, with uniform eligibility standards and procedures;

Extension of coverage to the working poor;

The assumption of basic financial and administrative responsibility by the federal government;

The promised fiscal relief to the states and localities, including the hold-harmless protection against future caseload increases;

The expansion of services for job training and placement, and of public service employment opportunities;

The strengthening of supporting services and resources, including the massive increase in federal funding for day care facilities, to assist and enable assistance applicants and recipients to become self-supporting.

The basic level of assistance should be no less than the federally established poverty level.

At the outset of the new Family Programs, the level of assistance should be no less than $3,000 per year for a family of four, with coverage for all persons in need, including individuals and childless couples.

The legislation should set forth a schedule of incremental steps toward the full federal funding of all assistance costs.

The federal government should match state supplementary payments up to the poverty level.

The requirement to take into account the income of the past three quarters is unrealistic and unduly complicating, and will result in the rejection of many needy families, who will have to be assisted by the states until they become technically eligible.

With reservations as to ~~the mandatory~~ work requirements for mothers, we endorse the priorities set forth for work and training in the Talmadge Amendments.

Also, the increase in federal matching to 90 percent in the Talmadge Amendments for training, public service employment, social and supportive services (including child care) will enable states to move with greater effectiveness.

At the same time, this enactment of the "workfare" provisions should not detract from the urgency for adoption of other features of this legislation.

We endorse the extension of medicare coverage to disabled persons entitled to social security benefits; and limitation of supplementary medical insurance premiums to the rate of increase in cash benefits.

The transfer of intermediate care facilities to title IX is welcomed by public welfare agencies.

We object to the proposal in sec. 225 to limit matchable per diem costs in skilled nursing homes and ICF's to 105 percent of the previous year.

We object to a premium enrollment fee for medicaid for the medically needy, and for the option to impose deductions or co-payments.

We are generally supportive of proposals on social services in H.R. 1, with certain exceptions as specified:

We endorse the increased federal commitment for foster care and adoption services, and for family planning and child care.

The list of services which may be funded in sec. 511 is too limited, and should allow for expansion.

There is a danger that services may become fragmented among manpower and social service agencies, with the development of two or more parallel and overlapping systems.

We strenuously object to the proposal to terminate the open-end matching authorization for social services.

Provision should be made in the law for the transfer of personnel from the present state and local programs to the new federal programs.

STATEMENT

Mr. Chairman, and Members of the Committee, we appreciate the opportunity to appear before you today in behalf of the American Public Welfare Association. I am accompanied by Mr. Wilbur J. Schmidt, who is the Secretary of the Wisconsin Department of Health and Social Services, and Mr. Lloyd E. Rader, Director of the Oklahoma Department of Institutions, Social and Rehabilitative Services.

The American Public Welfare Association is the national membership organization in the field of public welfare. Membership consists mainly of the state and local agencies which administer the public welfare programs, and individual staff members. For the past 40 years the primary continuing concern of the Association has been the improvement of the public welfare programs throughout all parts of this nation. We have identified objectives and priorities which have focused on this purpose. The basic statement of our position has been published under the heading of "Essentials of Public Welfare," which I should like to submit for inclusion in the record. In this document the general goals of public welfare, as seen by our Association, are set forth as follows:

A comprehensive income maintenance program with adequate national minimum standards should be available, on the sole basis of need, to assure to all individuals and families an income no lower at any given time than an officially established poverty level.

Comprehensive social services should be available to all who need them, including services—

To promote opportunities for attaining self-support;

To improve individual functioning, facilitate independent living, and strengthen family life;

To protect children and adults where necessary.

We have traditionally advocated the wage-related contributory insurance under the social security system, whenever feasible, as the preferred method for financing and administering income maintenance programs.

We believe that it is also feasible and preferable for the adult categories—Old Age Assistance, Aid to the Blind, and Aid to the Disabled—to be federally funded and administered by the social security system. We have testified before your Committee in support of this proposal on previous occasions and we are pleased to reaffirm that position today.

We endorse the increase in the level of benefits provided for in H.R. 1, and approved last year by the House. We believe, in view of the intervening delay in the final enactment of this measure and the continuing rise in the cost of living, that the benefit should now be increased by an amount greater than the proposed 5 percent, and with accompanying tax adjustments as may be needed.

It is our judgment that the provisions in H.R. 1, as it is now before your Committee, would constitute a partial reform of the public welfare system, but that it falls short in a number of significant respects from promising the thoroughgoing reform that is urgently needed.

The establishment of a national minimum standard of assistance, with uniform eligibility standards and procedures, the extension of coverage to the working poor, and the assumption of basic responsibility by the federal government, are fundamental advances which would be accomplished by this legislation. The promised fiscal relief to the states and localities (including the hold-harmless protection against future caseload increases), the transfer of the adult categories to the Social Security Administration and the expansion and federal funding of day care services for children, are among the other positive features of primary importance which are proposed.

One of the criticisms most frequently directed against the present system is that it is actually 54 separate systems with wide variations in levels of assist-

ance and resource exemptions. It is apparent to us, however, that instead of overcoming this dilemma, H.R. 1, as it now stands, would have the effect of solidifying many of the present inequities. While the hold-harmless provision would protect a state against increased costs due to rising caseloads, any costs resulting from an increase in the level of state supplementation would be borne entirely by the state since the hold-harmless would not apply, and federal matching funds would not be available. Under the present system the states at least have the incentive of the federal matching share for increased benefits.

While the new federal programs which are proposed in H.R. 1—Assistance for the Aged, Blind, and Disabled, and the Family Programs—would constitute a significant advance in the direction of welfare reform, standing by themselves they would, in some respects, be less than a fair trade for the present system. We are fully aware that these proposals count on the states to bear a substantial part of the responsibility, and that the federal and state conributions would be combined in a single administrative agency. Basically, however, the federal and state governments would each be free to act unilaterally with respect to the level of assistance it would support. The only guarantee the federal government could make would be with respect to the part it would fund.

Most states would undoubtedly make an effort to maintain at least the present assistance level through supplementation. But the new system could not assure it, and with the growing demands upon state and local resources, it would be only prudent to anticipate that some states would find it necessary to retrench. In any case it seems likely that the vast majority of persons now receiving assistance (the primary exception being those in the states which now pay less than the proposed federal standard) would be not much better off under the new family programs than they are now. Whether they would be worse off would be decided by the states, and not by the federal government. True welfare reform should not allow for such an outcome.

Interim Relief

Unfortunately, some states are already finding it necessary to reduce the level of their assistance payments. With the growing fiscal crises of the states, and with the new programs still two years away, it may be expected that other states will find it necessary to reduce the level of their assistance payments.

Regardless of the need for long-term welfare reform, the obvious fact is that interim measures must be taken as soon as possible to avert further retrenchments of this kind, which would inevitably result in widespread distress. The situation must not be allowed to deteriorate further while the larger reforms are still pending. Some kind of hold-harmless provision, or increased federal matching share, should be put into effect at once, to enable the states to hold the line under the present system, until it is replaced. Last year the National Council of State Public Welfare Administrators advocated that the existing federal matching share for cash assistance be increased by 20 percent for each state. This was not proposed as an alternative to welfare reform, but as one possible way to enable the states to maintain their levels of assistance until the new programs become operative. A copy of that resolution is attached to this statement.

Naional Objectives

Whenever the federal government enters a field which has been a state function, even though it assumes only partial responsibility, it gives shape and substance to the whole. The present conditional grants to states for the public assistance categories set the ground rules under which the system operates. There are, for example, requirements for a single state agency, for statewide standards, and a merit system for personnel. The states comply with these requirements. On the other hand, there are no minimum standards of assistance, no federal participation in assistance for individuals or families under 65 without children, or for the "working poor." As a consequence, many of the states have regrettably low standards of assistance, often even lower (if any at all) for general assistance, and even fewer states provide in any way for the working poor with incomes below the assistance standards.

It might be noted in passing that some of the basic principles in the proposed legislation, which our Association has advocated, such as minimum standards of assistance and conditions of eligibility, could have been realized to a substantial degree under the present system if they had been mandated in federal legislation.

Thus, the federal government does give shape and substance to the total public welfare scene—by what it omits as well as by what it requires.

The same will hold true under any new plan of reform. Under the grand design of H.R. 1 there would still be wide variations in benefit levels from one state to another, often only remotely related to regional differences in living costs; there would be no incentive within the system for states to increase the level of supplementation; and there would still be the individuals and childless couples not covered, even though their need might be as great and as genuine as that of the covered beneficiaries.

At the same time we are well aware that as long as public welfare is to be a shared responsibility, there is no practical way in which the federal government can mandate upon the states the full extent of what their performance must be, except as a condition for federal financial participation in state costs. If the federal government is finally going to consider public welfare as primarily a national problem, and intends to design and carry out a true reform that goes beyond those selected segments it has in the past been willing to call its own, and is ready to take responsibility for the total result, there are two ways to do it. One way would be for the federal government to assume full responsibility for financing and administration for everything. The other way would be to start out along the lines proposed in H.R. 1, but with substantial federal participation in the state costs not fully funded by the federal government. In either case, the base should be a design for a future comprehensive, adequate and balanced program.

The first way may seem to offer the most assurance and gives the federal government total control over the outcome. But the second could also work very well, if properly designed. Federal matching of the state supplementary payments should be at a sufficiently high percentage to enable each state, as a required minimum, to maintain the level of assistance which it now provides under the present system. This should be made a condition for the receipt of any matching funds for financial assistance, as well as for the hold-harmless protection. In addition, this federal participation should be available in such amounts and under such conditions as to provide a strong incentive to a state for an increased level of supplementation up to an established national ceiling, which should be no less than the poverty level.

But I return to my earlier points that the principles of a national adequate minimum standard of assistance, uniform eligibility standards and procedures, the extension of coverage to the working poor, and the assumption of basic responsibility by the federal government are the essential elements of welfare reform, and that the present measure moves only part way toward the attainment of these objectives. H.R. 1 gives promise that it would advance these principles, and that these principles, once established, can be built upon for the continuing perfection of the system.

However, no one should labor under the illusion that any kind of welfare reform is going to greatly diminish the problems that plague us under the present system—at least in the short run. The basic problems are caused by lack of education and marketable skills, discrimination in employment and housing, poor health, social disorganization, technological change, and lack of a full employment economy. For example, during the past twenty years the revolution in agricultural technology has resulted in perhaps the greatest migration in history—of unskilled farm laborers to the major cities, many of whom settled in the ghettos of the central cities. None of these conditions was caused by any welfare program, and they will not be corrected by any welfare program, no matter how good, except insofar as it is a part of a larger array of services, resources, and opportunities. Nor should the expectation be nurtured that the new family programs would escape the welfare stigma. Any program which provides assistance based upon a determination of need will bear the onus, in the opinion of some, that it pays more than the recipients deserve, while others will find that benefits are inadequate for a decent level of living.

WORK AND TRAINING

A long-standing objective of this Association has been that training, assistance, and opportunity to become self-supporting should be available to everyone who can benefit from such services. Our position is set forth in our attached statement of essentials as follows:

> Full employment at adequate wages should be the goal for all persons able to work whose services are not required at home. To the fullest extent possible, jobs should be available through the private enterprise system and

normal operations of government as it maintains public services and facilities. There should be a full range of manpower training resources to afford the opportunity, as needed, to acquire necessary skills for entry to employment and for upgrading job skills. To the extent that employment is not available through these regular channels, despite concerted public and private efforts, useful work opportunities should be provided by the government to help employable persons further develop and maintain their work habits and skills.

We concur in the proposal in H.R. 1 that able-bodied males should be required to take work or job training as a condition to receiving assistance. We believe that mothers receiving assistance should be given an opportunity, and encouragement, through job placement and training and child care services, to take employment. But we strongly urge the deletion of any provision which would require mothers of children under school age to take employment or participate in job training. While there are many instances in which such mothers prefer to work, and to take job training, there are other instances in which it would be contrary to the best interests of young children as well as to the objectives of the program. In any case, such a requirement at this time is not necessary, since under the best of circumstances it will be a long time before the training slots, the child care facilities, the job opportunities, and the supportive services will be adequate to take care of all the mothers who would volunteer for employment or training. If, at a later time, it should seem desirable, this question could be reviewed in the light of experience and current conditions.

We are in general agreement with the provisions within the Talmadge Amendments (P.L. 92–223) which are designed to strengthen the work and training opportunities for employable recipients of public assistance. We believe that the order of priorities for employment are soundly conceived. In fact, we specifically endorsed this listing of priorities in our testimony before this Committee when they were proposed by Senator Talmadge in 1970.

The increase in federal matching to 90 percent for training and related costs, public service employment, and especially for social and supportive services (including child care) will, in our estimation, enable the states to move ahead with greater effectiveness in these areas.

While the success of the employment program, whether under the recently enacted amendments or under the proposed Opportunity for Families Program, will be determined in large measure by the adequacy of facilities for job training and placement, child care, and supporting services, the crucial factor will be the availability of jobs. Especially during periods of high unemployment, therefore, a program of public service employment is essential. In the prevailing circumstances, therefore, the authorized or proposed funding for public service jobs will not be sufficient to assure employment for all who will be registered as available.

There are many jobs in state and local jurisdictions which need to be done, but it might be anticipated that the employing agencies will lack the resources to absorb their share of the costs over the long term. We suggest that a reduction of the federal share at two-year intervals, instead of yearly, would give greater assurance of the success of this program.

We also recommend that provision be made for unifying the social and supportive services of the employment programs with those that are otherwise authorized under the public assistance titles. Otherwise, the result will be unnecessary duplication and fragmentation of these services.

It is our expectation that the new work incentive amendments enacted in P.L. 92–223 will enable the states to move ahead more effectively in carrying out the work and training programs. At the same time, we would emphasize that the potential number of individuals and families who will benefit from this measure constitute a relatively small portion of the total recipients of assistance. Moreover, we trust tha his action will not be considered as a substitute for the overall design for welfare reform as set forth in H.R 1.

Deserting Parents

We agree that every effort should be put forth to locate and obtain support from deserting parents. The increase from 50 to 75 percent of federal matching for these costs would enable the states and localities to discharge this responsibility with greater diligence and effectiveness. However, if the federal government is to take over full responsibiltiy for the administration of income maintenance, some thought would need to be given as to whether this would require the states to maintain a separate agency specifically for this purpose.

Organizational Fragmentation

Whatever else may be said about the proposed new welfare system, it is our impression that it is not a move toward simplification or consolidation. At the federal level there would be a new unit in the Social Security Administration to administer the adult programs, a new agency in HEW for the Family Assistance Plan, and a new agency in the Department of Labor for the Opportunity for Families Program. In the states and localities these agencies would have their counterparts, and even though the federal government would be willing to administer the state supplement of the federal programs, it would be necessary for the states to continue to operate a separate network of assistance agencies to administer those functions not covered by the federal programs. The states and localities would administer their programs of general assistance for needy individuals and families without children. These agencies might also anticipate some new business from the "accounting period casualties," who fail the three quarters test, but pass the needs test. They would pay allowances for special needs to those on the rolls of the federal programs, and they would administer emergency assistance.

A separate network of state and local agencies would administer the social services, which might well, in turn, be parallel to the Opportunity for Families Program of supportive services for those who are preparing for employment.

These conditions would result not only in organizational complexity and duplication, but in confusion and inconvenience for those whom the programs are intended to serve.

Accounting Period

The proposal to take into account income over the past three quarters in determining need under the family programs, we believe, would result in the rejection of benefits for some families in need, an added burden to the states, and unneeded complexities for the administering federal agency. Families whose earnings are only moderately higher than the assistance benefit level—in any state—do not ordinarily have much or any accumulated reserves when their income stops. If assistance is not to be forthcoming at once through the family program, the only alternative is for the state to provide emergency assistance. As the bill is now drafted, we assume that such emergency assistance would also be counted as income, thus further delaying the day of eligibility for federal assistance, potentially as long as 9 months in some cases.

We recognize that it may be found necessary to maintain some accountability of past earnings, but certainly not at the assistance budget level for three quarters. Perhaps some outside limit could be prescribed for previous quarters, and the actual budget be applied for the current quarter. Otherwise, the states will be burdened with an artificially created caseload of accounting period casualties.

Limitation on Resources

I wish to direct the Committee's attention to the eligibility requirement for assistance for the Aged, Blind, and Disabled, which would limit the nonexcluded resources of an individual and his eligible spouse to not more than $1,500 (Sec. 2011(a)(2)(B)). We recognize that a uniform standard for exempted resources is necessary, and we believe the proposed $1,500 figure is reasonable. A problem arises, however, from the fact that under the existing adult categories the states have set their own limits for allowable resources. We understand that in about half the states there are resource exemptions which in some combination are in excess of—by as much as double—the proposed $1,500 limit. The result is that in those states having the higher level there are a substantial number of individuals who have been receiving assistance (especially Old-Age Assistance) for ten years or longer, who would suddenly find themselves ineligible under the terms of the new program. They could, of course, be asked to spend down the small margin of their excess resources, but this could be unnecessarily disruptive in consideration of the small amounts involved, and could be a source of misunderstanding and criticism of the new program.

We recommend that a grandfather clause be added which would continue the existing resource exemptions for all those who are receiving assistance at the time the new program becomes effective. The proposed national uniform standard could then govern in determining eligibility of all who apply thereafter.

Reduced Benefits for Couples

We are concerned and object to the provisions for payment ceilings for couples or where two people, related or non-related, live together. These provisions are contrary to the principle of strengthening family life, and would serve to break up family relationships of couples, brothers, and sisters.

It is our recommendation that all adults eligible for benefits because of blindness, disability or age should be considered as individual applicants and receive total benefits. As a result of today's eco: my, many of these people are only able to maintain decent housing and meet daily needs through shared expenditures. We, therefore, urge that the reduced payment provisions be deleted and that each eligible adult be considered as an individual applicant and beneficiary.

MEDICARE AND MEDICAID

We are gratified that it is considered feasible to extend medicare coverage to persons entitled to social security disability benefits. It is a most commendable step toward providing a much-needed protection in these catastrophic situations.

We also endorse the proposal to tie future increases in supplementary medical insurance premiums to the rate of increase in cash benefits. This is a practical way of protecting social security beneficiaries against the ever-increasing costs of medical care.

The transfer to title XIX of the matching authorization for care in intermediate care facilities, as provided for in P.L. 92–223, is most welcome to the public welfare agencies. This amendment will facilitate the use of appropriate levels of care under appropriate medical supervision. One significant feature is that matching will be available for care of the medically indigent in these facilities, which will eliminate any financial incentive for placement of these patients in a skilled nursing home when an ICF would be otherwise indicated. Another is that matching will be authorized for care of the mentally retarded in public institutions under certain conditions in which health and rehabilitation services are provided. We regard this as a constructive step which will assist states in maintaining these high-quality services for patients who require them.

There are other proposals affecting the medicaid program which we believe should be deleted or modified.

Of special concern is the proposal in sec. 207 which would reduce the federal medical percentage by one-third after the first 60 days in a general or tuberculosis hospital. We do not object to a reduction in the federal percentage after the first 60 days of care in a skilled nursing home unless the state maintains an effective utilization review program, since that is a reasonable requirement.

We wish also to enter an objection to the proposal in sec. 225 to limit the average per diem costs countable for federal matching in skilled nursing homes and intermediate care facilities to 105 percent of these costs for the previous year. In many states these rates have been held at an artificially low level, to the point where substantial increases must be allowed in order to assure that needed care is available. Many of these facilities find it difficult to obtain staff because they have been paying low wages that are not covered by federal law, and they must be increased. Most importantly, however, the quality of care in these facilities must be upgraded. We are encouraged that the President has set this as a national goal. But this goal cannot be achieved if the rates are to be limited to a 5 percent annual increase.

We recommend the deletion of the proposals to require a premium enrollment fee on the medically needy as a condition to medicaid coverage, and the option to impose deductibles and co-payments upon either the medically needy or the

recipients of cash assistance. While we recognize the need for restraints against over-utilization of services, we do not agree that this is the way it should be done. This would have the effect of discouraging medicaid participants from obtaining medical care which they genuinely need, and would also result in greater costs at a later time to treat conditions that could have been more easily remedied or prevented by earlier attention.

SOCIAL SERVICES

This Association has long believed that public social services should be available to all who need them, with priority being given to people in vulnerable or high risk groups. Comprehensive services include services to promote opportunities for attaining self-support, services to improve individual functioning, facilitate independent living, and strengthen family life and services to protect children and adults where necessary.

We ndorsed the 1962 service amendments as a major step in that direction. However, this Association has never promised that the expansion of social services would result in a reduction in the AFDC caseload. We did say, in 1962, that "It is not possible to predict how many public welfare recipients will be enabled to leave the assistance rolls through increased services, and it may be that the results can never be precisely measured." However, we believed then, and continue to believe, that an effective service program does enable many people to become self-supporting and maintain their independence.

While H.R. 1 does not provide for a comprehensive or a universal service program, it makes some important changes in the present welfare service system. The Allied Services Act which the President announced in his State of the Union message appears to be a sound and progressive step toward rationalizing the social service programs. We look forward to the introduction of this measure and an opportunity to study it in detail.

There are major service features which this Association wholeheartedly endorses. Specifically, we applaud the increased federal commitment in H.R. 1 for foster care and adoption services, and the liberal federal financing of family planning and child care. We have advocated expanded federal support for services available to people. While we concur with the Congressional support for increased federal funding for child care services, we point out that child care is only a part of a total service system and should not be treated as an individual, isolated service. Unless child care is accompanied by other supportive services which a family may need, the positive effects of such child care in terms of making the family more independent and self-sustaining are seriously impeded. Moreover, many women need child care for reasons other than employment or training; the over-riding emphasis on child care services for working mothers is, in our mind, far too limited. Child care should be available to all families who might profit from services due to employment, illness, incapacity, temporary emergencies, etc.

Each one of us has at some point in our lives needed social services. The welfare agency is the sole source of services for those unable to pay, and, unfortunately, public services, due to limited resources, are only sometimes available for those in need. If the public service agency refuses the client in need, he has no other place to turn. The public welfare agency has never been in a position of selecting its clientele—it is the place of last resort for those in need and it must provide services, if available, to eligible persons requesting them. This lack of client selectivity has historically made the welfare system appear less planned and less successful than comparable service systems in the private sphere.

The growth of the welfare rolls has caused further obscurity and confusion regarding social services. The typical service worker in the public welfare department has been beleaguered with eligibility determinations and ever-growing assistance caseloads. These factors have severely limited the ability of workers to render social services and thus have side-tracked the development of services. In

the past two years we have witnessed some progress at state and local levels with the separation of income maintenance from social services. While this development has not been without difficulty, experience is showing that a service system administered separately from an income maintenance system is better equipped with the time and manpower necessary to develop comprehensive service programs. In this respect, FAP and OFP will receive states of these pressures and will enable them to get on with building services. Another advantage of separation is the ability to evaluate the effectiveness of services without income maintenance considerations clouding the picture. Along this line, we urge that federal monitoring and evaluation of service programs be initiated on a regeular basis. Provision is made in other sections of the bill for periodic evaluations and we urge a similar provision be included in regard to service programs. Ongoing federal technical assistance to states is another necessary ingredient to a more successful and better coordinated national service program. All in all, we are optimistic about the potential of a separate service system and are supportive of this direction in H.R. 1.

We are concerned with the over-riding emphasis in H.R. 1 on services to make people self-supporting; in other words, to get people off the welfare rolls. While we recognize the need for and importance of such services, we feel that this is not and should not be the primary purpose of a service program. Social services should be provided to people to assist them in attaining a state of personal and societal well-being and independence and to assure our citizens of a certain quality of life.

Experience has shown that, with the current fiscal crisis in many states, welfare services are among the "first to go." We believe that the fedral government should, through federal financial participation, enable and encourage each state to maintain a balanced and comprehensive program that meets the service needs of all requiring such assistance.

A major defect in H.R. 1 lies in the provision for a closed-end appropriation for federal financial participation for services. This will seriously reduce states' capacities to provide social services, and will force states to curtail present service programs, as well as negating any possibility for service expansion and experimentation. With the expanded eligibility in H.R. 1, services will be needed by more people, particularly to accomplish the bill's objectives of reducing dependency. Curtailments and uncertainties in federal funding can only diminish the growth and effectiveness of service programs. The Senate rejected a similar proposal included in the Administration's 1972 Budget, recognizing that services are a crucial factor in any welfare reform and that at this time in history services should be expanded rather than curtailed. The $800 million ceiling on service expenditures would mean additional costs to states, as well as curtailment of much-needed service programs in many states.

Finally, the list of services spelled out in section 511 for which federal financial participation will be available is seriously inadequate. If strict interpretation is used, several key services presently provided and used, such as preventive services, family counseling, and legal services, will be excluded from public service programs. We would urge the Committee to reconsider this listing and to allow for expansion by changing the wording to read, "The term services . . . includes, but is not limited to, any of the following services." The current state of the art in social services is such that services are just now being defined and measures of effectiveness being formulated; to close the door on services now would be a grave mistake.

The bill provides that child care and supportive services shall be provided by the Secretary of Labor for those people enrolled in the Opportunities for Families Program, with 100 percent federal financing authorized for such services. Child care and supportive services for those in the Family Assistance Program will be the responsibility of the Secretary of Health, Education, and Welfare. There is the potential, therefore, for two agencies in each community responsible for providing the same basic services to people; the clientele will vary only in terms of

their employability. We object to this design on two counts: first, it further categorizes people and programs at a time when we are trying to consolidate human resource programs, and, second, it creates administrative confusion and waste.

Such categorization of people is, we maintain, senseless and duplicatory, and invites confusion regarding division of responsibility. There is no good reason for two parallel service systems as envisioned in the bill, both serving a clientele with the same basic characteristics.

This organization has long supported the consolidation and integration of categorical grant-in-aid programs into single source, comprehensive human services. There is, as you know, presently operative in this country a nationwide, comprehensive service system for low income families. This service system is administered through state welfare agencies and local county offices. To now divide this presently established service system into two separate structures, necessitating two offices in each community, will fragment services, confuse recipients, and generally increase the cost of administering social services. We firmly believe that services should be developed within one service structure in order to strengthen the overall service system, reduce administrative costs and coordinate a better system of services for people.

Basically, H.R. 1 does little to strengthen the services program. It does not tie together in any fashion the various delivery systems we presently have. There are different conditions of eligibility for different populations, different federal-state financial arrangements for various services, confusing and overlapping responsibility for the provision of services, and uncertain divisions between optional versus mandatory services. A major service program is left without any clearly defined resources. Overall, then, this bill does not promote a well-organized or highly accountable social services system. At a time when states are expected to expand and strengthen service programs, they will likely be confronted with shortages of funds, overlapping authorities and unclear responsibilities.

Child Care

Child care has been identified as a crucial component of welfare reform and has emerged as a major area of legislative interest and concern. We are pleased to have this opportunity to comment on the various proposals which have been put forward and to share with you our thoughts about this most important subject.

We believe that expanded child care will relieve many families from their dependency on welfare. We know that many families have been denied opportunities for training and employment due to unavailability of child care.

There are several child care principles which this Association considers essential:

(1) Quality child care should be available in sufficient quantity to serve all families in need of such care due to employment, illness, incapacity, etc.

(2) Child care arrangements must not be detrimental to the child or his parents.

(3) A full range of child care arrangements should be available and conveniently located to children of all ages, including in-home child care, out-of-home day care, family care, etc.

(4) Parents should have maximum choice in the selection of child care arrangements.

(5) Child care services should be available to all income groups, with provision for fee for service and based on ability to pay.

(6) State and local general purpose governments should have a coordinating role in the planning, provision and monitoring of child care.

(7) National criteria should be developed for monitoring and evaluation of service programs on a uniform basis.

There is presently a child care system set up in every state which receives federal funding through title IV of the Social Security Act. States have, however, been impeded from developing adequate quality child care because of the 25 percent non-federal share required by the Social Security Act, as well as the absence of construction monies for child care facilities. The provisions for full federal financing and construction monies in H.R. 1 will afford an opportunity to greatly expand facilities, staff and child care services.

We would like to reiterate our concern that child care not be viewed as a separate, isolated service, but rather as one crucial component in an integrated and comprehensive service system. It is precisely this point that caused us greatest concern in the Comprehensive Child Development Act. To separate the care of children from the total needs of a family would result in an inefficient, duplicatory, and fragmented service system. Greater resources are needed to strengthen child care resources, but a complete overhauling of the delivery system hardly seems necessary, particularly at a time when that system will finally be able to concentrate fully on services without income maintenance considerations.

Your bill, S. 2003, establishing a Federal Child Care Corporation, is responsive to the need for greater coordination and direction over the development of child care resources. Nevertheless, the vesting of power concerning child care in a three-man corporation removes the accountability and responsibility from the states and rests it in a private corporation. We cannot support legislation which obviates the role of the state in providing services.

Adoption Information Exchange

We recommend the inclusion of the authorization as proposed last year (H.R. 16311, proposed new Social Security Act title XX, sec. 2013, submitted by the Administration in the "June revision") for a national adoption information exchange system. This service, to be maintained by HEW, would provide information to assist in the placement of children awaiting adoption and in the location of children for persons who wish to adopt children. This type of service, as has been well demonstrated by the pilot project—the Adoption Resource Exchange of North America, is especially useful in finding adoptive homes for children who are handicapped, or for other reasons, are hard to place.

Transfer of Personnel

We strongly urge that provision be made in the law for the protection of the tenure of the personnel now employed in the state and local welfare programs. The safeguarding of accrued benefits and the outlining of procedures for the orderly transfer of employees to the new programs are not only called for in the name of equity, but in fact, most of the present staffs will be needed in order to insure the success of the new programs.

AMERICAN PUBLIC WELFARE ASSOCIATION

The National Council of State Public Welfare Administrators of the American Public Welfare Association adopted the following resolution at a meeting of its full membership on September 20, 1971:

Whereas, the National Council of State Public Welfare Administrators has supported the basic concepts of welfare reform; and

Whereas, the National Conference of Governors recently reaffirmed its support for certain basic concepts in welfare reform and urged additional improvements to pending legislation now before the Congress; and,

Whereas, the President of the United States has requested the Congress to delay implementation of welfare reform to 1973; and,

Whereas, the welfare crisis (particularly as it has resulted in increasing costs to all States and localities) is of such severity that it cannot wait for ultimate long-range solutions; now, therefore be it

Resolved, That the National Council of State Public Welfare Administrators urge the Congress to enact temporary legislation for the period July 1, 1971 to June 30, 1973 during which the formulae for Federal participation in the current public assistance aid programs be increased by twenty percent (20%) of the current Federal formulae as it relates to each State. Such temporary legislation will permit careful, considered deliberation of welfare reform proposals; it will relieve State and local taxpayers of crushing burdens; it may prevent further reductions in benefits to the poor and needy; and it will carry out, in part, the earlier commitment of the Federal Administration to assume $5 billion of welfare expenditures during the current fiscal year.

Essentials of Public Welfare

A Statement of Principles

Essentials of Public Welfare

A Statement of Principles

Approved by the Board of Directors of the American Public Welfare Association on December 8, 1970.

PREAMBLE

This Statement sets forth the basic principles which the American Public Welfare Association believes to be essential to the achievement of the purposes and goals with which public welfare has long been charged. It is the latest in a series of such documents that the Association has formulated from time to time. These essentials cannot be static. They will change as the people modify the role of government in the total society. The acceptance and implementation of these essentials, however, would facilitate reaching the goals within a reasonable period of time.

The highest purpose of a democracy should be to promote and safeguard the well-being of its people. Each individual should be assured a valid opportunity to fulfill his potentialities and aspirations and to contribute to the extent of his ability to the common good.

Today, the extent and intensity of human needs and the wholesale challenge to social institutions point to the need for changes of a fundamental character in human service programs. Public welfare is no exception. It is, in fact, an especially crucial point for change because it identifies and brings to public attention many of the urgent unsolved problems and unmet human needs.

THE GENERAL SETTING

It is essential to the well-being and security of the nation that measures be taken to prevent and alleviate social problems. These measures include assuring the total elimination, in fact as well as in law, of discrimination on any basis; full and unrestricted opportunity for employment at a suitable wage; and adequate housing, education, income maintenance benefits, and health care.

Solving human problems and promoting social competence are complex undertakings which require the knowledge and skills of many disciplines and the deep involvement of a wide variety of governmental and voluntary agencies and of individual citizens. Public welfare cannot solve these problems alone. The pooling of effort, money and skill promotes diversity, experimentation, and a wider choice of type of service by the individual citizen.

Public welfare must be seen as one part of a system of human services which includes education, health care, housing, employment opportunity, manpower training programs and others which add up to a better life for all the people. While public welfare continues to focus on the needs of the most vulnerable people in society, it has an additional obligation to con-

tribute, along with the other services, to the general level of living. Recognizing that each component involves its particular techniques, however, this Statement is directed to the field of public welfare as a specific function of government.

Rights and Obligations

Public welfare services are based on the principle of mutual responsibility. These services must be offered and delivered in an atmosphere of respect for the rights of each individual, concern for all people, understanding of society, and full knowledge of the programs which serve specific human needs. For their part, persons using such services have an obligation to deal responsibly with the agency and to exert all the effort of which they are capable in the solution of their own problems. Beneficiaries of public welfare programs have an important contribution to make from their personal experience and familiarity with neighborhood problems and should have genuine opportunity to contribute as policy is developed.

Public welfare programs must be administered in such a way that in practice the rights, dignity, responsibility, and independence of people are respected. Social services and financial and medical assistance must be universally available and readily accessible, without regard to race, color, creed, sex, national origin, residence, settlement, citizenship, or circumstances of birth. Personal and family problems involving possible compulsion, such as desertion, nonsupport, or the removal of a child from his home, should be handled in the same way as for all citizens through the courts or other legal channels. Specific decisions of the agency should be subject to objective review on the appeal of the individual affected.

Public Welfare Programs

Public welfare in the context of this document is intended to encompass Federal, state and local governmental programs which are designed, within a framework of related governmental and voluntary resources, to provide for individuals and families an ultimate guarantee against poverty and social deprivation and the assurance of the recognized basic essentials of living. By assuring basic social and economic protection to individuals and families, public welfare serves the interests of all people in the community and gives practical expression to the democratic principle that individual well-being is the source of community strength.

Public welfare programs are solidly grounded in provisions of basic law. Enactments by the Congress, in exercise of its authority to legislate for the general welfare, and comparable action by state and local legislative bodies have created programs of statutory right for the intended beneficiaries. The courts have explicitly recognized that public welfare programs are subject to constitutional requirements of due process and guarantees of equal protection of the laws.

Public welfare goals include the following:

- A comprehensive income maintenance program with adequate national minimum standards should be available, on the sole basis of need, to assure to all individuals and families an income no lower at any given time than an officially established poverty level.

- Comprehensive social services should be available to all who need them, including services

  —to promote opportunities for attaining self-support;

  —to improve individual functioning, facilitate independent living, and strengthen family life;

  —to protect children and adults where necessary.

- A program of payment for comprehensive physical and mental health services, which are essential for all persons, should be available for individuals whose resources are insufficient.

- The administration of all programs should afford opportunity for effective participation by program beneficiaries, utilize methods which are compatible with individual dignity

and place emphasis on advocacy to assure delivery of the full scope of program benefits.

Accomplishment of these goals requires full public support and a commitment of the necessary resources.

Income Maintenance

Full employment at adequate wages should be the goal for all persons able to work whose services are not required at home. To the fullest extent possible, jobs should be available through the private enterprise system and normal operations of government as it maintains public services and facilities. There should be a full range of manpower training resources to afford the opportunity, as needed, to acquire necessary skills for entry to employment and for upgrading job skills. To the extent that employment is not available through these regular channels, despite concerted public and private efforts, useful work opportunities should be provided by the government to help employable persons further develop and maintain their work habits and skills.

Social insurance should assure maintenance of income when work is unavailable or no longer appropriate because of factors such as age or disability. Social insurance programs should afford adequate protection against all insurable risks to family and individual economic security.

For all of those whose financial needs are not adequately met by employment or social insurance, a comprehensive income maintenance program with adequate national minimum standards should be available to assure, on the sole basis of need, to all individuals and families an income no lower at any given time than an officially established poverty level. Further provision should be made to adjust the standards not only because of a changing poverty level but also to enable upward movement by families from this tenuous line. The program should also include a plan of income incentives to work, with reasonable exemptions of earned income on a uniform basis.

Income maintenance benefits should be provided in the form of cash payments, which the beneficiaries may spend at their discretion, in the same way that other citizens handle their income.

Eligibility for income maintenance should be determined through a simplified method. The primary source of information should be a declaration form filled out and attested to by the applicant or beneficiary, subject to such verification as is necessary to assure validity of the system. The right of the individual for representation and to dignified and objective treatment is of utmost importance and every possible measure should be taken to assure the protection of these rights. Determination of eligibility should be made promptly.

Public Social Services

The goal of social services is to enhance or restore a person's ability to function effectively. Public social services should be available as a right to all who need them, with priority being given to people in vulnerable or high risk groups. Fees may be charged according to ability to pay.

Those social services which should be available to all people needing them include, but are not restricted to, the following:

1) Coordinating or advocacy services which include information, referral and follow-up activities.

2) Preventive services, including counseling, which should be provided before problems become acute or overwhelming.

3) Protective services for adults and children exposed to abuse, neglect or exploitation.

4) Supportive and sustaining services to strengthen family life.

5) Services to improve personal functioning, especially for the aged and handicapped.

6) Self-support services including training, rehabilitation and employment services to assist individuals to become self-sustaining.

7) Related child welfare services such as day care, foster care and adoptions.

These basic or core services should be available on a comprehensive basis with close co-

ordination assured between all related agencies, both public and private, including health, educational, housing, recreational and other community services.

The administration of social services should be structurally separated from income maintenance functions. The availability of social services and the right to such services must be made known to the public. All basic social services must be accessible to those who may need and want them.

An important responsibility of public welfare is identifying persons appropriate for work, motivating them for training or employment and continuing supportive services until these are no longer needed. Hence, quality child care services and facilities should be made available for all such persons, in accordance with ability to pay.

Services should be community based, tailored to local needs and should include community and beneficiary participation in planning, monitoring and evaluating. Each agency should be an advocate for those it serves. People from the local neighborhood should be employed in the delivery of services.

While specific service needs, in addition to the core services, should be identified at a local level, the state public welfare agency should be responsible for setting standards, for planning and evaluation of service delivery, for implementing model service delivery systems, for experimentation and innovation and for assuring coordination of service programs. State agencies should be held accountable for measuring the effectiveness of social services and for recommending new approaches in the system.

Health and Medical Care

Access to comprehensive physical and mental health services is essential for all persons. Public welfare should assist in obtaining necessary care and should have a program of payment for those whose income and resources are insufficient.

Comprehensive health services should include preventive, diagnostic, therapeutic and restorative services. Basic health education should be provided. The full range of family planning services should be available to enable all beneficiaries to obtain whatever service conforms to their ethical preferences.

Special emphasis needs to be given to the health needs of young children, including pre-natal and peri-natal care, immunizations, inoculations, dental and vision care.

Public welfare should assure itself that the services financed are of high quality and are appropriately utilized. Quality and utilization control devices must be developed in collaboration with the public health agencies and the health professions.

Public welfare should play an active role in comprehensive health planning to identify unmet community needs and to foster an orderly and economically sound network of facilities and services; it should actively participate in efforts to raise standards of medical care, and in innovative ways to deliver services and to utilize paramedical personnel.

Trained social service staff should render timely assistance to families or individuals and their physicians in selecting long-term care facilities needed by aged or disabled people and in planning their future care as their health needs change.

Payment for health care services should be reasonable and fair in relation to the care provided. Payment functions may be assigned to an agency other than public welfare, and carefully selected fiscal intermediaries may be used. Payments may be made in the form of health insurance premiums on behalf of clients provided the health insurance system gives assurance of high quality care, appropriate utilization control, reasonable costs and effective management.

ADMINISTRATION

Public welfare, as public business and a service to people, must be administered efficiently and with humanitarian convictions. Program benefits and services must be effectively delivered to the beneficiaries, and the public welfare agency must be their representative and advocate.

Like all governmental functions in a democracy, public welfare owes to the citizenry and its elected representatives the fullest accounting of its work, while protecting the privacy of individuals receiving service.

Accountability and efficiency are best assured by having responsibilities well defined at each level of government. The human problems of concern to public welfare are also amenable to the efforts of many agencies, private as well as gov-

ernmental. Nevertheless, a single public welfare agency stands at the center of a wide range of endeavors and affords a locus for responsibility and coordination. The administrator must inform, coordinate, innovate, and lead.

Public welfare funds should be expended only by a public agency responsible directly to those officials and representatives to whom the citizenry has delegated governing powers. Specific services may be purchased, however, from voluntary or proprietary agencies, individuals, or other governmental units by the public agency in behalf of individuals for whom it is responsible. Such purchase is recommended where the service can be better supplied by a source other than the public welfare agency.

There should be continuous planning and evaluation of public welfare programs. Administration must take advantage of the best in management techniques and tools, such as computerization, cost benefit studies and the systems approach through program planning and budgeting.

As a program for people, public welfare must be administered to make effective use of them. Personnel should possess the skills needed for quality performance and should be selected and advanced on the basis of merit. A full range of training for individual development should be provided. The potentials of paraprofessionals should be fully realized and individuals of limited education and work experience enabled to learn and to contribute on the job to the best of their ability. Meanwhile, the administrator must be prepared to engage in labor negotiations as public welfare employees, like other public workers, organize themselves into unions.

Public welfare operations benefit from the private citizen's involvement as advisor, volunteer and informed link with the community. Public welfare beneficiaries should have an effective advisory role through mechanisms for interchange of information and points of view.

There should be a continuous research and development effort seeking greater insight into social problems as a basis for improving programs and agency performance. Included should be special research and demonstration projects directed toward the reduction of dependency and the strengthening of family life, the development of social indicators and other methods of measurement of social progress, the search for new knowledge of human needs and resources, and experimentation in new ways of delivering services.

AMERICAN PUBLIC WELFARE ASSOCIATION

1313 EAST SIXTIETH STREET CHICAGO, ILLINOIS 60637

The CHAIRMAN. We now must be in a hurry to go over and vote. I will return immediately. We now stand in recess until five minutes of 12, at which time I will call the committee back into session.

(Recess.)

The CHAIRMAN. The committee will come to order, please.

Is Dr. Ernest F. Witte in the room? Dr. Witte?

STATEMENT OF REV. BERNARD J. COUGHLIN, CHAIRMAN, DIVISION CABINET OF SOCIAL POLICY AND ACTION, NATIONAL ASSOCIATION OF SOCIAL WORKERS, INC., ACCOMPANIED BY GLEN ALLISON, DIRECTOR, WASHINGTON OFFICE, NASW

Reverend COUGHLIN. Mr. Chairman, I am Father Coughlin.

Dr. Witte was not able to appear. He was to appear but he ended up in a snowstorm in Kentucky.

The CHAIRMAN. Would you care to present his statement on his behalf?

Reverend COUGHLIN. I am appearing, Mr. Chairman, on behalf of the National Association of Social Workers, Inc. I am the Chairman of the Division Cabinet of Professional Standards of that association and also Dean of the School of Social Service at St. Louis University. There will be with me Mr. Glen Allison who is Director of the Washington Office of the National Association. Mr. Chauncey A. Alexander of the Association was also detained in New York and will not be with us.

We are most pleased to have this opportunity to appear before the committee on behalf of the National Association of Social Workers. The committee has our full testimony and, in the interest of time I will simply indicate some of the major points that are contained in that testimony.

The National Association of Social Workers supports the amendment to extend coverage to include disabled social security and railroad retirement beneficiaries.

The association also supports the increased benefits in Medicare and Medicaid.

We support the amendment to replace the assistance programs for the aged, blind, and disabled as State-Federal programs by a single Federal program.

The NASW has long held the position that the income maintenance aspect of these programs, together with the income maintenance aspect of the AFDC program, should be completely federally administered.

The association has long advocated a national comprehensive health plan. The specific elimination through section 265 of required social services and extended care facilities and the waiver of registered nurses and skilled nurses in rural areas we consider a weakening of standards and a hazard to patient care.

Title IV, the family programs, raises serious questions on the administrative separation of families with employable and nonemployable members. In addition, the provision of supportive services by the Department of Labor begins to move that department into areas clearly related to the health and welfare functions of the Department of Health, Education, and Welfare.

We suggest that the administrative problem that will be created by this certainly should be seriously considered by the committee.

The definitions of employability, especially those requiring mothers with children over the age of 3 years to register and work, are extremely onerous and threaten both individual freedom of the parent involved and deterioration of the family life.

The benefit level of $2,400 for a family of four, and the lack of requirement that States maintain supplementation of benefits, is, we figure, very inadequate. As you know, Mr. Chairman and members of the committee, the poverty level, according to the 1970 census, was set at $3,968 for a family of four so the present provision is extremely inadequate.

The cost-of-living increases are not included and the absolute ceiling of $3,600 for large families reiterates much of the AFDC freeze.

We see no reason why that last member in a large family is any less deserving of funds under the income maintenance program than the next to last member. At the same time, there is no guarantee for suitability of employment and only three-fourths of the minimum wage is required in private employment.

The changes from State to Federal administration in the adult and family programs make no provision for the protection of rights and benefits for the present employees in these programs in the States and developments in some States recently suggest that the number of such employees might be large during this time of transition.

Title V in the initiation of the new social service programs takes a rather narrow definition of services and in this time of transition, when the numbers of those requiring such services are unknown, it would seem to be unwise to use this occasion to place a ceiling and to close the end of Federal appropriations.

The National Association of Social Workers has called for a program for simplified administration and H.R. 1 apparently compounds administrative structure, prohibits the use of simplified declarations for families, requires quarterly estimates and reports, and mandates 24-month redetermination for eligibility, all of which, in our opinion, adds to the administrative complexity, cost, and administrative confusion.

As you can see, Mr. Chairman, from these comments the National Association of Social Workers has gone on record as strongly supporting the amendments to H.R. 1 that have been recommended by Senator Ribicoff.

I would simply indicate a few other of these amendments that the National Association of Social Workers supports:

The present legislation calls for the Department of Labor to provide 200,000 public jobs. We agree with Senator Ribicoff's amendments that this is an inadequate number of jobs and support his amendment that these jobs be increased at least to 300,000.

The present legislation calls for an appropriation of $700,000 for day care services and we think that this is an inadequate level.

We oppose strongly the statement in the bill that States may retain residency requirements. This, in our opinion, is an anachronism that should have been eliminated from the welfare bills years ago.

We oppose, at the same time, that provision of the bill that states that eligibility is to be based upon earnings in the prior quarter, and support the amendment that eligibility be based on current need.

The bill also provides, as you are aware, that only in the AFDC program that only families with children be eligible. We figure if we really are talking about reforms that now is the opportunity for the committee to adopt the amendment of including the single individual and couples without children in the eligibility requirements.

Finally, Mr. Chairman, we oppose the closed appropriation for Federal funds for social services as the bill provides for except, as you are aware, for day care and family planning.

In summary, Mr. Chairman, there is much in H.R. 1 that contributes to welfare reform but, at the same time, there is much in the bill that will be, in our opinion, counterproductive in achieving the reform that the administration and this committee is interested in.

We ask your committee to consider the many areas of the bill and amendments that have been suggested, and we thank you for the opportunity to appear before this committee.

Senator ANDERSON. Senator Ribicoff has some questions the other day and he raised some questions about research, and I have been hoping that some answers will be given to him on that. He asked some very intelligent questions and the information in the hearings already published, at page 195, I do wish that you and others would suggest to Senator Ribicoff what is wrong with his statement. I think his statement is just fine. If somebody objects to it on this research question we ought to have it stated. If you can check through the hearing that was detailed in the last couple of days, it would be worthwhile.

Senator RIBICOFF. No questions, Mr. Chairman.

Senator BYRD. No questions.

Senator CURTIS. No questions.

Senator ANDERSON. Thank you very much for your appearance.

Reverend COUGHLIN. Thank you very much, Mr. Chairman.

(The prepared statement of the National Association of Social Workers, Inc., presented by Reverend Coughlin follows. Hearing continues on p. 1700.)

STATEMENT ON BEHALF OF THE NATIONAL ASSOCIATION OF SOCIAL WORKERS, INC., PRESENTED BY REV. BERNARD J. COUGHLIN

SUMMARY OF NASW TESTIMONY ON HR-1

The National Association of Social Workers is opposed to HR-1 in its present form on the grounds that it will not end the blatant inequities, injustices and inhumanity which have been allowed to grow in the present system.

The following is a summary of our position and recommendations in regard to specific provisions of the bill.

Title I of the Bill, the Old Age, Survivors and Disability Amendments, does not allow for a substantial increase in benefits. We think both the benefits and minimum should be raised substantially and we recommend an immediate 25 per cent benefit increase. Other proposed changes in Title I of HR-1 seem to move toward greater equity in the present system and we support them.

Title II—The emphasis on comprehensive health is long overdue but the cost-sharing provisions are liable to work a hardship on the medically needy. Reduction in benefits for care and services, the limits on payment for skilled nursing homes and extended care facilities and the elimination of a requirement that States move toward comprehensive Medicaid programs are all steps backward.

The specific elimination, through Section 265, of required Social Services in extended care facilities and the waiver of registered nurses and skilled nurses in rural areas must be resisted as a serious weakening of standards and a hazard to patient care.

Title III greatly improves the income level for single aged, blind and disabled persons and brings couples very near the poverty income line. The administration of these programs by the Social Security Administration must also be regarded

as strengthening these programs and in general all of the adult features of HR–1 are long overdue improvements.

Title IV—the Family programs, raises serious questions on the administrative separation of families with employable and non-employable members. In addition, the provison of supportive services by the Department of Labor begins to move that Department into areas clearly related to the health and welfare functions of the Department of Health, Education and Welfare.

The definitions of employability, especially those requiring mothers with children over the age of three years to register and work are onerous in the extreme and threaten individual freedoms and family life more than the presumed "family break-up incentives" for which the Welfare "Reforms" are initiated.

The benefit levels of $2,400 coupled with the cashing out of food stamps and lack of requirement that States maintain supplementation of benefits all threaten to expose 90 per cent of present recipients to decreased benefits. The income level in itself is inadequate and the bill neither defines adequacy nor sets a timetable for its achievement. Cost of living increases are not included and the absolute ceiling of $3,600 for large families reinitiates many of the features of the "AFDC freeze." The inclusion of the "working poor" must be regarded as a positive and long overdue development but the conditions of the work requirements which family program recipients are subject to are extremely regressive. There is no guarantee for suitability of employment. Only three-fourths of the minimum wage is required in private employment and the $800 penalty for non-compliance with threat of possible outside payee all highlight the discriminatory attitudes toward the poor.

Those provisions relating to clients' rights of appeals and the changed procedures threaten to seriously undercut the hard-won rights of clients and client groups.

The changes from State to federal administration in the adult and family programs make no provision for the protection of rights and benefits for the present employees of their programs and developments in some States recently suggest that such employees might be harmed during this time of transition.

Title V in the initiation of the new Social Service programs takes a narrow definition of services and in this time of transition when the numbers of those requiring such services is unknown it would seem extremely unwise to use this occasion to place a ceiling and close end on appropriations. Further, the maintenance of States' present proportion of the service dollar hurts progressive programs, freezes developing programs and provides little inducement for those areas which have been slow or reluctant to develop service programs. This coupled with the ending of the requirement for state-wideness threatens the Social Services structure of every state and the nation.

NASW has called for a program of simplified administration and HR–1 compounds administrative structure, prohibits the use of simplified declarations for families, requires quarterly estimates and mandates 24 month redetermination for eligibility, all of which adds to administrative complexity, confusion and cost.

NASW joins with this Committee in its effort to adopt legislation which will truly reform a system for the benefit of the people it is intended to serve.

NASW HR1 TESTIMONY

Mr. Chairman and Members of the Committee, my name is Ernest Witte and I am Chairman of the Division Cabinet of Social Policy and Action of the National Association of Social Workers. I am also Dean of the School of Social Professions at the University of Kentucky, Lexington. With me is Father Bernard Coughlin, Chairman of the Division Cabinet of Professional Standards of NASW and also a Dean, at the St. Louis University School of Social Service.

We thank you for this opportunity to appear today and to present the views of the National Association of Social Workers to this distinguished committee.

As you know from previous appearances here, the NASW is the largest organization of professional social workers in the world with 55,000 members in 172 chapters in every state in the United States and several countries abroad. Our membership works in most of the major social programs in this country and is vitally interested in the social security and welfare legislation before you.

Mr. Chairman, as you are well aware, we are nearing the end of what has been an arduous and often frustrating effort to create new and hopefully more adequate legislation to cope with income insufficiency in this society. The bill at

hand, HR–1, has been through many changes and revisions since August, 1969, when President Nixon announced that welfare reform was to be a top priority of his Administration.

Unfortunately, the staggering volume of words that have since been printed and uttered have not significantly contributed to a better public understanding of the nature of the needs of the poor people of this country. At least a dozen or more new cliches such as "welfare mess," "workfare," "welfare myths" and "working poor" have been added to the already large heritage of catch phrases we Americans have used through the years to make political gain and voice moral superiority over the lot of the poor.

HR–1 has not and, unhappily, will not put an end to the underlying causes of dissatisfaction with the welfare system. In its present form HR–1 will not even end the blatant inequities, injustices and inhumanity which have been allowed to grow in the present system.

The National Association of Social Workers is opposed to HR–1 in the form in which it passed the House and is being considered by this Committee today. HR–1 especially discriminates against families with children, most headed by women and a significant number of whom come from racial and ethnic minorities. It purports to cut medical program costs by shifting them onto the poor or onto the States only to erode the fiscal relief given under this bill. Some of these efforts at economy in our view jeopardize standards of quality of care, particularly in the area of services. The conditions and circumstances under which people are required to work make it plain the outcome is to be subsidization of employers and not a way to escape poverty for the poor and the children of the poor. The fragmented, complicated multi-jurisdictional administration of the many programs of HR–1 will only cost more and more to achieve less and less. We believe we have ample grounds on which to oppose this bill and yet we continue to hope and we will continue to work for constructive and positive changes in it. The Association's position and the direction of the changes we favor will be made clear in our assessment of some of the proposed provisions of HR–1.

Title I of the Bill, the Old Age, Survivors and Disability Amendments, provide a 5 per cent increase in benefits and raises the minimum payment level from $70.40 to $74.00. We think both the benefits and the minimum should be raised substantially. We recommend an immediate 25 per cent benefit increase. Our reasoning is that now is the most auspicious time to achieve parity with living costs and to move the average payment above the poverty line. This level can be more nearly maintained because HR–1 at last gives beneficiaries an automatically triggered increase if costs go appreciably up and Congress has not acted to meet them. The present payment levels are still reflecting the practices of the past of "catching up" only after the retired and other beneficiaries have been forced to stretch their usually fixed income by cutting back on food, health care and community participation.

We believe action now to finally move OASDI beneficiaries ahead of living costs in both sound and equitable. Such an increase with a corresponding rise in the minimum payment would mean we can, for most beneficiaries, put an end to the necessity to apply for an inadequate welfare check to supplement an inadequate social security payment. We think one single, sufficient social security amount is long overdue.

The other proposed changes in Title I of HR-1 seem to move toward greater equity in the present system and we support them.

Our assessment of Title II, the Medicare, Medicaid and Maternal and Child Health provisions, finds much more fault. However, we do strongly support the extension of Title XVIII protection to disability beneficiaries receiving social security cash payments. In our view there should be a single system, equitably meeting all need and this clearly moves in this direction.

Mr. Chairman, as you know, there next follows a series of amendments to cut the Federal participation costs in the Medicare and Medicaid programs. Some of these cost shifts are thrown back onto the consumer as in the Medicare Part B deductible (from $50 to $60) and the increase in the co-insurance commencing at the 31st day (rather than 60th) at ⅛ per cent (now $7.50 a day). In Medicaid the "cost-sharing" premium and the State "co-payment" requirement for medically indigent are further examples of the erecting of economic barriers to discourage utilization. Our position is that these almost invariably bring hardship to the consumer group and in the long run do not result in savings. Economic barriers to utilization of health services may postpone treatment, but it is doubt-

ful if treatment is avoided and when it is needed it is both more acute and more costly.

Another kind of problem is encountered in the "spend-down" provisions of Section 209 which tries to resolve the so-called "notch effect" of abrupt benefit loss at a fixed income eligibility line, creating a presumed earning disincentive.

There are a number of ways to deal with this matter but the "spend-down" is administratively complex and we believe is cost-benefit marginal. The underlying problem is more pervasive, reflecting the lack of uniformity in State programs and the absence of a national universal comprehensive health care system. The position of our Association is support of such a system where economic circumstance is not a factor in provision of health care and where no "spend-down" is necessary.

We recognize that there is little hope in the immediate future of replacing the fee-for-service mechanism and so we support moves to bring some uniformity and equity in costs by providers. The various fee limitation provisions of HR-1 and the inducements to pre-paid capitation plans (HMO) are positive steps when they reduce costs and increase standards of care. There is a danger that HMO's will maintain the illness-oriented medical model of the present fee for service system under a new corporate auspice and that the opportunity for breadth, quality and lower cost of care will be lost.

We are also concerned that in focusing on cost alone both quality and standards of care will be endangered. From the viewpoint of our Association, Sections 265 and 267 are examples of this possibility.

Section 265 of the HR–1 would prohibit the requirement of medical social services in Extended Care Facilities as a condition of participation in Medicare.

NASW shares the concern voiced by both this Committee last year in reporting HR–17550 and by the House Committee report of HR–1. Questions were raised about the effect of shortages of professional social workers and the impact of social work consultation in meeting the total range of needs of residents of Extended Care Facilities. We also feel that recognition of the existence of problem areas and weaknesses should result in new and alternate ways of providing this vital and needed service. We do not believe the House language accomplishes the desired strengthening.

The House Committee report acknowledged the contribution of social work services in promoting emotional and social adjustment of the patient and his family, in aiding rehabilitation and contributing to effective discharge planning. However, it also raised questions about the costs related to the benefits of these services especially given prevailing professional social work shortages in some areas.

We are greatly encouraged by the language of the legislative recommendations prepared by Senator Long and his staff for this Committee which would authorize state agencies to provide specialized consultative services for Medicare patients in E.C.F.'s, as a more realistic and comprehensive approach. We would strongly urge, however, that the language of the bill be altered to specify that social work consultation indeed be a legal requirement for participation in the Medicare program. We wonder as to the alternative in cases where the state would be unable to provide these services. The amendment specifies—"The State Agency would be authorized to limit the availability of these services, consistent with its own assessment of available resources and needs."

We would seek safeguards through legislative requirements that state social service departments would be able to provide the quality and quantity of social services so direly needed in E.C.F.'s. We believe that, particularly in rural areas greatly limited in both financial and manpower resources, it becomes crucial that there be *dual* provision of these types of services. State provision of services becomes a welcome alternative. By no means, however, should it be construed as *the* solution to a critical problem.

As a professional organization we believe we must go beyond "stop-gap measures" and be concerned that we not provide minimum, inadequate and superficial services as a way of meeting a legal requirement. Our Association, through local chapter leadership, has recognized and attempted to deal with the problems imposed on professional practice through shortage of manpower and limited funding. The Social Worker-Consultant providing consultation has often been forced through circumstances to modify his role and offer direct services to individual patients. In such cases, the value of social work consultation, for the ultimate benefit of all residents, is greatly diminished. This also results in a fragmented delivery of service instead of a unified, comprehensive approach.

It is obvious that both direct and indirect services are needed. The Consultant providing indirect services plays an instrumental role in introducing and developing those programs which would strengthen ties between the facility and resources in the community. The Extended Care Facility must be seen as part of a larger social community as its primary aim is the emotional and physical restoration of the individual to a productive and meaningful life within his community. Thus, the linkages established between the E.F.C and other community resources is vital to the success of the rehabilitation program. Certainly, state consultative services could fill the need to provide assistance in patient care policies, in-service training programs, utilization review and similar committee services and training activities which should be considered administrative units. However, even if consultation services were to be provided, there would still be a need for the kind of *direct* services to individuals such as social evaluations, casework or group work treatment sessions and work on individual discharge plans which we feel should be funded under the category of ancillary service under arrangements parallel to physical and occupational thereapy.

Our Association recognizes our responsibility in the development and maintenance of standards for social work consultation. Individual chapters of NASW have taken responsibility for developing guidelines for social work consultation in E.C.F. Chapters have also participated in the presentation of workshops to train social workers as consultants to E.C.F.'s. The national office of NASW is participating in a project to develop a curriculum for training social work personnel in long-term health care facilities. We certainly feel that many of the modalities for social work practice will be applicable within E.C.F.'s as well.

The House Commitee's reference to certification of Acute Hospitals without the requirements for medical social services and that it thus should not be a requirement in a "lower level of care" such as E.C.F.'s, is negated as an argument in view of the following:

The Joint Commission on Accreditation of Hospitals in October 1970 adopted standards which require an arrangement for provision of hospital social services. Since certification of general hospitals requires accreditation by J.C.A.H., present deficiencies can be met in this way.

The American Hospital Association and the Society for Hospital Social Work Directors appointed a committee in 1969 whose work has culminated in the publication of a manual dealing strictly with the social work programs in a hospital setting and entitled "Essentials of Social Work Programs in Hospitals."

We, therefore, have and do acknowledge the responsibility of our Association in the development of uniform standards for social work consultation and indeed "peer review" in maintaining these standards.

In summary, we endorse Senator Long's amendment which would authorize states to provide social service consultation to E.C.F. We welcome this as one alternative to provision for these kinds of services. We add, however, that nothing less than legal requirements and standards for *all* supportive services, such as physical and occupational therapy and nursing, can serve to deter the E.C.F.'s from developing into warehouses for the aged and infirm.

We have and will continue to strive to upgrade the quality of social work consultation and services for the benefit of all residents of E.C.F.'s.

As a professional association we want to watch very closely the provision in the bill which directs the Secretary to move into the area of determining the qualifications for certain health care personnel in lieu of, or other than, formal education requirements and other standards of professional certifying bodies. If the intent is to expand the opportunity for and range of personnel who have been excluded by reason of discriminatory institutional barriers we will add our weight to the ending of such practices. If there appears to be any danger of undermining standards, particularly as a cost-saving device, we will strongly oppose such moves.

We believe the provision of HR-1, Section 230, which repeals the requirement that States by 1975 have a comprehensive Medicaid program (Sect. 1903(e)), is an acknowledgement that the State-initiated Federally-matched approach has failed and will continue to fail to meet the medical needs of poor people. Our fear is that unless HR-1 contains a "hold harmless" clause for States and begins greater Federal assumption of costs and administration there will be further

deterioration in State provision for medical needy. There has been advanced the proposal of a Federal "catastrophic insurance" as one way of coping with the financial disaster that unpredictably can befall anyone under the present medical system. This has obvious political appear. It also is potentially very costly while benefitting relatively few. This is still another categorical plan which, whatever its merits, will add to the difficulties in bringinig about a comprehensive, universal national health care system. We do not favor the "catastrophic insurance" approach.

Title III of HR–1 contains the most positive and acceptable features of the bill. We support the full Federal assumption of the Aged, Blind and Disabled categories under the Social Security Administration and urge that full Federal assumption of the aid to families with dependent children categories also be mandated in HR–1.

The established income levels for Aged, Blind and Disabled single persons and couples is very near the S.S.A. current poverty line and stands in marked contrast to the levels set in Title IV for families with children. (Aged couple $2,400 vs. family of four persons—$2,400). What is clear from Title III is the simplicity, acceptability and political viability that is possible in welfare and is achieved in these adult programs.

What is blatantly obvious in Title IV is the complexity of administration, the meanness of spirit and the punitive political overtones of many of its provisions.

When President Nixon first announced his intention to embark upon welfare reform he offered assurances that no present recipient would receive less than they were currently receiving. The bill before you makes State supplementation optional and there is no certainty at all that recipients in many States will receive less. As a matter of record, since that time, 22 States have already cut benefits. If States do make optional supplementary payments they can again require residency restrictions of up to one year and in the administration of the supplement, the Federal Government is obliged to honor such restriction.

It is the position of our Association that States whose level of family benefits on January 1971 exceeded the HR–1 levels should be required to supplement such levels with Federal matching and that no recipient should be adversely affected by welfare reform. We also believe that residency requirements, already ruled unconstitutional by the Supreme Court, be prohibited.

We are concerned that in HR–1, a new principle of eligibility is introduced not based on current need as under present law. This requires families to reckon income expectation for the quarter of application and to count-in earnings for the previous three quarters. This "income averaging" will undoubtedly adversely affect some families and, although currently in need, they will be found ineligible. They will have recourse either to local voluntary charity or joining the general assistance roles. These, incidentally, are all local funds and if enough instances of this type of ineligibility develop then States and localities will be hard hit, either adding to tax loads or eroding the fiscal relief afforded in HR–1.

NASW opposes this eligibility determination method and will only support a bill which is based on verified current need.

This brings us to the payment levels for families established in Title IV at $2,400 for a family of four. Additional members are eligible for declining amounts down to $200/year for the eighth member and nothing for the ninth and succeeding members, the absolute limit being $3,600/year.

Our Association, at its 1969 Delegate Assembly, adopted an Adequate Income Maintenance Statement which set the minimum level of income for every American family at the Social Security Administration established poverty line for that family size, without upper size limitation. We established, as a national goal to be reached by 1976, an adequate level of income for every family, with adequacy being measured by the Bureau of Labor Statistics moderate living level. By these measurements adopted by our membership, HR–1 fails. The levels do not even achieve the poverty line and there is no requirement that they will. There is no definition of an adequate income although most Administration officials and legislators acknowledge that the levels in HR–1 are inadequate. HR–1 makes all recipients ineligible for supplementary food stamps. Even those able to add to the family income by working will find the break-even level is lower than the current poverty line. What becomes very clear is that HR–1 is not designed as a program to overcome poverty and to move toward adequacy. These are goals that must be part of any bill we can support.

Since one of the primary objectives of HR–1, as stated by the Administration, is to achieve fiscal relief for the States, it is surprising that eligibility does not include single persons and childless couples. Our Association favors their inclusion as a matter of equity and to achieve a unified system. For the States and localities general assistance is unmatched local money. This local money is subject to increases due to the residual persons found or made ineligible by HR–1. We think single persons and childless couples who are not aged, blind or disabled ought to be added by this Committee as eligible under this bill.

Now we come to the work provisions in HR–1 and the difficulties we have with them. When the Social Security Act was initially drawn it was plain from the language and legislative history that the welfare of children was the primary concern and the goal was maintenance of family continuity, especially through the loss or absence of a parent, usually the father. This child focus has gradually eroded under the pressure of increasingly greater numbers of female-headed families usually occasioned by desertion, and has moved quickly in changing the role of women and the acceptance of working mothers. Especially notable has been the ineffective outcome of the legislative efforts to bring AFDC parents, particularly mothers, into the work force. HR–1, in Title IV, lost the focus on children and threatens family integrity and opportunity by focusing on conformity to work and on punishment for parental delinquency. Some of the language of HR–1 in regard to work is already moot since HR–10604 has already been signed into law. These "Talmadge" amendments at least provided some priority basis for referral and some recognition that training should have a definite job at the end of the process. What needs yet to be clarified is the wage to be paid, the conditions of work and the adequacy of child care arrangements.

The position of the NASW is that no employment should be mandated at less than the minimum wage for work in the private sector since it seems accepted in HR–1 that the Government itself has no obligation in public employment to meet the minimum standard it sets.

The question of "suitability of employment" extends beyond conditions of health and safety to the respect for the integrity of the individual. This is best done by their participation in the process of planning for their own employment.

In the matter of adequacy for Child Care, there must be safeguards for the health and safety of the child, and respect for their individual, racial and cultural heritages. Parental support and participation is an integral part of child care planning. This is a costly service and with poor controls can easily and quickly degenerate into a custodial arrangement where neglect and negative experience are commonplace. The National Association of Social Workers does not believe HR–1 contains sufficient funds, standards or safeguards for parents and children in creating the kind of child care needed to back up the mandated work requirements. Past experience suggests that adequately paid desirable jobs draw more volunteers from the AFDC enrollment than there are jobs available, especially now in the light of a 6 per cent unemployment. We urge that all required registration and work requirements be dropped and then an effort be made to provide adequate day care and employment success for those who volunteer.

Related to our belief that welfare reform, especially of AFDC, must become more child focused and sensitive to the parent-child relationship is our concern that impatience and outrage at parental behavior may lead to costly and unreasonable legislative response.

The cost/benefit of pursuit of absent fathers has been of low yield and the alternative of jail is both costly and adds no positives to an already stigmatized child from a poor family.

Automatic and harsh penalties for infractions of welfare regulations, especially without adequate fair hearing procedures, only adds to the poverty and alienation of the poor from mainstream institutions.

Efforts to require and administer and enforce alcoholic and drug addiction rehabilitation programs within the context of welfare eligibility will prove to be unworkable and, as proposed in HR–1, are certain to be challenged for constitutionality. NASW values highly the civil and human rights of all, and especially vulnerable groups such as found among recipients of welfare programs. HR–1, in our judgment, constitutes a potential infringement on those rights, comes at points close to unconstitutional control of peoples' lives and ought to be opposed until sufficient protection of rights is provided.

The administration of Title IV of HR–1 is shared between the Department of Labor for the Opportunities for Families Program, the Department of Health,

Education and Welfare for the Family Assistance Plan recipients, the Rehabilitation Services Administration for those deemed potentially employable following rehabilitation, and in some areas at least there is possible State or County involvement for supplementation. Some of these agencies will be dealing with a clientele usually not served before, certainly in the number of persons anticipated. The coordination is unclear from the language of the bill. No agency has a clear advocacy role to assure the recipient can negotiate this maze or avoid being lost between referrals. From an administrator's viewpoint, this arrangement is horrendous and from a consumer's standpoint it appears formidably like a new welfare mess in the making.

One of the criteria NASW has adopted to measure an improved welfare system is that of administrative simplicity. HR–1 as presently written does not meet this criteria.

In the proposed Federal assumption of administration for what have been heretofore state and local responsibilities in eligibility and income determination, our Association is determined that the rights and equities of these employees be safeguarded during the transition. Also, employees and employee representatives should be part of the planning process and decisions about manpower allocations. The welfare system we create must be fair to both recipients and providers alike and we intend to support provisions that will make that possible.

Title V, Part B, deals with a reorganization of social services for two categories. Services are defined for families with dependent children and in a subsequent section, other services are defined for the Aged, Blind and Disabled. For all but two of these services (Family Planning and Child Care), a ceiling is put on appropriations for these services so they can no longer rise to meet need as states develop service capabilities.

This imposition of a closed end comes at the least desirable time. HR–1 mandates the separation of income administration from the management and delivery of services. As States are struggling to accomplish this and realign budgets and reassign staff they are faced by a funding ceiling of uncertain consequences.

HR–1 increases greatly the recipient population with the newly eligible "working poor". HR–1 mandates provision of some services related to readiness for employability and service to drug addicts and alcoholics with little available data to plan for the impact created on the service delivery system. Faced with this dilemma, states may be sorely tempted to cut back. There is no maintenance of effort language in HR–1 to sustain the State service commitment.

Apart from Part B of Title V, there are service implications in Title III and IV which are not adequately resolved by the specific services portion of HR–1. There is ambiguity abut service responsibilities for some recipient categories.

The service provisions in HR–1 are categorical and piecemeal, rather than comprehensive. They are both administratively disjunctive in some areas and overlapping in others. There is a question of administrative and financial feasibility. There is inadequate attention to both standards of services provided and sufficiency of manpower for provision of services.

The National Association of Social Workers has, for over two years, been active in studying and preparing for the time of separation of services from income maintenance. We have anticipated this as a time of great opportunity to finally use a range of service manpower to create a comprehensive delivery system that would complement the income administration. We have moved from a set of principles for design of a system to a legislative draft that would make such a system operational.

We seek to preserve the worth and expertness that exists in the present State programs and to build on this base a more flexible and effective capacity to meet today's service needs.

At the very minimum, HR–1 should retain the open-end for service expenditures and provide the mechanism for comprehensive service planning which involves State consultation and input from providers and consumers. Our Association believes it has some viable alternatives to suggest.

In summary, Mr. Chairman, we have tried to highlight those points in HR–1 which we believe most seriously impair the capability of this legislation to achieve what all have come to expect, a turn-around in the provision of welfare. We support a separate income maintenance system with the greatest administrative simplicity which supplies an adequate amount to meet the single criteria of need. This should be coupled with the most easily accessible, comprehensive, universal, flexible social services system that is competently staffed, supplying those quality services desired and valued by the community served.

HR-1 has made it clear that a new commitment is needed to resolve some of our most pressing social problems. This bill must be changed before that commitment is satisfied and we join you in that effort.

Thank you, Mr. Chairman, for your affording us this opportunity.

Senator ANDERSON. Mr. Modlin?

STATEMENT OF E. C. MODLIN, PRESIDENT, NORTH CAROLINA SOCIAL SERVICES ASSOCIATION, ACCOMPANIED BY BEVERLY HEITMAN, CHAIRMAN, H.R. 1 TASK FORCE OF NORTH CAROLINA

Mr. MODLIN. Mr. Chairman, I am C. E. Modlin, president of the North Carolina Social Services Association. I am accompanied by Dr. Beverly Heitman. We are representing today 2,700 members of the North Carolina Social Services Association, the North Carolina Council of the National Association of Social Workers.

We are in daily contact with the citizens who will be affected by your decisions on welfare. We have made a careful study of the proposal in H.R. 1. We have a position paper which specifies the features of this legislation that we believe should be preserved and features which we believe should be modified.

Where we advocate modifications we suggest alternative approaches. We do not wish to highlight these suggestions since we have a prepared statement which we would like to ask be made a part of the record today.

In view of the fact that our written statement called for some rethinking of basic questions, this appears to be done here today, this morning, and we would like to ask permission from the Chair to make some observations concerning our North Carolina pilot program ideas which have been mentioned this morning, today.

Senator ANDERSON. We will be glad to have your comments.

Mr. MODLIN. We would like to have our statement made part of the record and our suggested modifications for welfare reforms done by the association.

Senator ANDERSON. That may be done.

Mr. MODLIN. Thank you.

I would like to ask Dr. Heitman if she would speak to the WIN program which she has been supervising in Durham County for some time.

Mrs. HEITMAN. I would like to say, first, I find it very exciting to be here at a time when the committee seems to be receptive to thinking about some very basic issues and questions, and particularly the discussion that has gone on earlier around pilot programs; and out of my 2½ years of experience in working, really, in trying to assist mothers who are receiving public assistance now to become employed, I have some ideas that I would like to express.

The WIN programs, at least in the State of North Carolina, have never been fully slotted, as we say. For example, in Durham County we have approximately 1,800 mothers who could be considered potential candidates for this program, 150 slots, plenty of money, plenty of staff, and yet we have never had an enrollment of 150.

I think that I would like to see the committee give consideration to extending their interest in pilot programs to include thinking in terms of pilot programs that have to do with employment as well as the earlier reference having been to family assistance programs.

There are a number of different employment programs already underway, not only the WIN program, and I would hope that if the committee moves in this direction that they would really want to take a close look at how the programs that we have had in the area of manpower have been doing about their particular program because every program goes about it a little differently, and I would certainly feel that this would be a worthwhile approach for the committee to consider, to think in terms of both pilots on family assistance and employment.

In closing, I would like to make what is a personal observation, namely, that I feel this is essential because it seems absolutely clear from where I sit every day from 8:15 to 5 o'clock, that you cannot talk about welfare over here and work over here, that these two problems are very interrelated and that we really need to be looking at both, and that many of the problems have to do with how we can develop meaningful work and get this to all those who are able to work, and then perhaps there is a group of citizens for whom we really need to think in terms of providing a family assistance plan.

I feel that we are operating under an illusion when we assume that every mother is able to go to work. But I think we need to offer those who are able to work and are wanting to work the opportunity so.

We thank you very much.

Senator ANDERSON. Thank you.

Senator Curtis?

Senator CURTIS. You were in charge of the WIN program, you say?

Mrs. HEITMAN. Yes, in Durham County, N.C.

Senator CURTIS. How many were enrolled, total, just an estimate? It does not have to be an exact figure.

Mrs. HEITMAN. Over a 2-year period, my estimate would be around 225.

Senator CURTIS. Now, these were all drawn from AFDC rolls?

Mrs. HEITMAN. Yes, sir.

Senator CURTIS. How many AFDC recipients are there?

Mrs. HEITMAN. There are approximately 2,100 recipients, of whom parient recipients of whom was estimated that around 1,800 are mothers who are included in the money payment.

Senator CURTIS. Now, of the 225 enrolled, how many completed training?

Mrs. HEITMAN. As of yesterday, we had 38 mothers who had graduated from our particular program, meaning they were placed in employment and were employed 3 months later.

Senator CURTIS. How long does the training last?

Mrs. HEITMAN. The training can last anywhere from—if a person goes to training—I would say from 1 year to possibly 2 or 3 years.

Senator CURTIS. What do you train them 3 years for? What kind of jobs?

Mrs. HEITMAN. The person—I will give you an illustration here: In our community, the labor market is open largely at this time to persons who can work in health services careers. There are a lot of hospitals and there is a lot of need for practical nurses. We may have a mother come in to our program who has the potential for becoming a practical nurse. She may not have a high school education but our work with her can indicate she can get this education. She would need to

spend—maybe she would spend 6 or 8 months working on her equivalency and then move on to this LPN training and from that into employment; and the same thing could be true about a person who had potential to enter secretarial work.

Senator CURTIS. Well, now, that is not true of all your 225 trainees?

Mrs. HEITMAN. No.

Senator CURTIS. What are some of the other kinds of jobs where the training does not take more than a matter of months?

Mrs. HEITMAN. Well, the shortest training course would be a training course as a nurse's aide, which would be a 3-month training course, but we don't need those people in our community right now.

Senator CURTIS. There are no other kinds of jobs but hospitals?

Mrs. HEITMAN. Hospitals and business. There are some—there is very little industry in our community and the nature of most of the industry is that it does contract work and they will hire someone and as soon as they fill this contract they are laid off and what we get down from Washington, in quotation marks, is that the purpose of our program is to assist people in having full-time employment and in having employment which can be looked forward to as steady work, not, you know, you go to work now and you are laid off when the contract is over.

Senator CURTIS. Do you train anybody in the food services, restaurants?

Mrs. HEITMAN. We have not had any training in that area.

Senator CURTIS. Hotels?

Mrs. HEITMAN. We have had some people who have gone on jobs in that area.

Senator CURTIS. You say you graduated 38. How big a staff do you have?

Mrs. HEITMAN. Let's see. I have five workers and myself in the social services part of the WIN program.

Senator CURTIS. In the total WIN program?

Mrs. HEITMAN. I would guess—I would estimate 12.

Senator CURTIS. In the whole WIN program? How many dropouts have you had?

Mrs. HEITMAN. To date we have had 70 people whose enrollment has been terminated before they reached the point of having a job, or who got the job and did not work out for the 3 months.

You see, what we have got is there are many people who are in our present AFDC caseloads who either due to what I think of as a combination of either personal failure and societal failures are really not the best potential candidates for the labor market.

Senator CURTIS. What is the average age of those 225 that remained?

Mrs. HEITMAN. I could not give you an average age, but I would estimate the average age of our enrollees is 20 years of age at the moment.

Senator CURTIS. Would you say the 225 that enrolled were above average among the 1,800 adult recipients that you had?

Mrs. HEITMAN. Yes; and I base that on this fact: that although the books—the program is now mandatory; it is being operated on a voluntary basis; in other words, the figures that I have given you show the results of work with people who came and said, "I want to enroll in this program." You know, people that went out and the

department said, "All right, now, you have got to enroll in the WIN program."

Senator CURTIS. That is all, Mr. Chairman.

Senator ANDERSON. Well, thank you both for being here and for your contributions.

Mr. MODLIN. Thank you, Mr. Chairman.

(The prepared statement and attachments of Mr. Modlin follow. Hearing continues on p. 1714.)

PREPARED STATEMENT OF E. C. MODLIN, PRESIDENT OF THE NORTH CAROLINA SOCIAL SERVICES ASSOCIATION, WILSON, N.C.; ACCOMPANIED BY DR. BEVERLY HEITMAN, SUPERVISOR, WIN UNIT, DURHAM COUNTY, N.C.

The 2,700 members of the North Carolina Social Services Association and the North Carolina Council of the National Association of Social Workers Chapters, for whom I speak, are in daily contact with the citizens who will be affected by your decisions on welfare reform. We have made a careful study of the proposals in HR 1. Our position paper specifies the features of this legislation that we believe should be preserved and features that we believe should be modified. Where we advocate modifications, we suggest alternative approaches. We will not use this time to highlight our suggestions; you can study that later.

We know that your most difficult task is to find a better way to meet the needs of the millions of families with dependent children who exist on a meager welfare check instead of living on money earned by heads of these families. In HR 1, full-time work requirements are proposed. We know that only a small percentage (15–30%) of those now receiving assistance presently possess the potential for entering the labor market, and we also know that most of this group do not possess job skills. Estimates suggest that 2.6 million persons are involved, but financing is available for only 799,000. This plan is proposed at a time when jobs and day care are in short supply. What indications do we have that job training, meaningful jobs paying a decent wage, quality day care and other essential supportive services can be made available? A family of four exempt from the work requirement would receive the same cash payment as aged, blind and disabled couples. We know you are concerned about this, too.

While the burden of beginning to make some sense out of it all rests with you, we are the ones who will be called upon to implement your decisions. We hope that you will see it as part of your responsibility to take some time to sit back from the complex maze of details and policy formation to ponder a few critically important questions.

As a nation, we say that we are committed to the national goal of enabling *all* individuals to achieve their maximum potential. Is this our goal and if so, are we ready to give up our illusions and reorder our priorities? We believe that if you, as a committee, will have the courage to deal with these questions before you design the policies and programs, that you then would have done this nation a service never realy done before and that the resulting welfare reform bill of 1972 will mark the beginning of a new era. By providing opportunities for training and work for those who can use these, a reasonable income for needy families who are not able to work, and the necessary health, education, and social services for the most disadvantaged segment of our population, you can be opening the door to more effectively meeting the human needs of those who are not financially dependent but who do need human service resources to meet their maximum potential.

We believe that our proposals contain some ideas that you will find useful in your task of beginning the process to assure full participation in the society for all citizens.

Thank you very much.

SUMMARY OF SUGGESTED MODIFICATIONS IN SOCIAL SECURITY AMENDMENTS OF 1971 (HR 1) AS ADVOCATED BY NORTH CAROLINA COUNCIL OF NATIONAL ASSOCIATION OF SOCIAL WORKERS CHAPTERS AND NORTH CAROLINA SOCIAL SERVICES ASSOCIATION

This study supports certain features of the welfare reform bill and presents some forty (40) possible modifications or new features that might strengthen the legislation.

The thrust of changes proposed in *Title II* is towards further increasing the availability of comprehensive health services.

The suggestions about *Title III* primarily involve revision of a few policies and procedures.

Major changes appear most needed in *Title IV*. This study favors public policy which recognizes that the need for income and the need for work are two separate needs—thus, two separate programs are suggested—a) an adequate income maintenance program for needy families whose heads are unemployable for a wider range of reasons than those specified in this bill, and b) a strong work and training program for all who are motivated and have the potenital for employment.

A few of the modifications or new features proposed in this section are·

Family Assistance Plan

(*a*) An income floor in which needs of all family members are more adequately met.

(*b*) Alternative methods of financing.

(*c*) A cost of living escalation clause.

(*d*) A plan for strengthening enforcement of child support.

Opportunities for Families Program

(*a*) New priorities concerning those to be served.

(*b*) Provision of both part-time and full-time employment.

(*c*) Requiring listing of job openings and qualifications by all business, industries, educational and public service agencies utilizing federal funds.

(*d*) Incentives for private employers.

(*e*) Development of a structure for comprehensive manpower planning at state or regional levels.

(*f*) Establishment of a new division within H.E.W. to administer all Day Care Services and leaving the responsibility for day care planning for O.F.P. participants with H.E.W while mandating that a variety of experimental studies be conducted to determine the most effective means for providing quality day care services for this group

The array of social services proposed in *Title V* could provide a base for development of comprehensive programs; however, nation wide uniformity in expecting states to provide all services and open-ended funding seems needed.

Clarification of congressional intent concerning linkages between the various administrative agencies and minimization of duplication of services is suggested. Legislative specification regarding employment rights of those whose jobs would be abolished or transferred to a different administering agency is advocated.

Social Security Amendments of 1971 (H.R. 1)

A position paper prepared by North Carolina Council of National Association of Social Workers Chapters and North Carolina Social Services Association

Introduction

The realization of the national goal of providing all citizens with the opportunity for maximum development and full participation within the society requires many changes within practically all of the sytsems for serving human need.

Many demands are placed upon the welfare system, because other essential systems are not operating effectively. The education system is failing to prepare large numbers of people for satisfying employment. The health system, in its emphasis upon treatment of illness, has not fully incorporated preventive and therapeutic services. The Gross National Product rises, but unemployment and underemployment continue to afflict the society. In adequacies within these various systems assail the family structure and undercut the building and maintenance of a stable and vital society. They also result in inordinate demands being placed upon the welfare system.

The present welfare system is inadequate to meet these demands; reform is needed. Changes in all of the social systems will be necessary if this nation is to move nearer to the realization of the previously described national goal. Thus, welfare reform is inextricably inter-related with reforms in other systems. While there will always be a group of citizens who need to use the welfare system, through comprehensive planning, the size of this group may be reduced.

We propose that current welfare reform activity be directed toward providing the following minimum services:

1. A work opportunities program for those persons who are able and motivated to work. Training and other supportive services to prepare for an adequately paid, satisfying job in a career line offering opportunities for advancement. Unparalleled development of new job opportunties is an urgent necessity.

2. An income maintenance program for those who are not employable for whatever reason, offering an adequate income under national standards and federally financed.

3. A social services program with protective, adjustive, and enhancement services available to all who seek it. It is important that national standards be developed which would maintain both the quality of the services and their accessability. It is equally important that local needs and variations be recognized; and, for this reason, the program should include provisions for local planning to determine the local structure and mix of services and to provide a feedback mechanism for national planning.

Our study of H.R. 1 resulted in the delineation of certain aspects of this legislation that we believe should be preserved. When other aspects in which modification seems derisable were identified, alternative proposals were developed. Specific suggestions concerning the welfare programs follow:

TITLE II—MEDICARE AND MEDICAID

Health care must flow from a system which integrates health maintenance, acute care, rehabilitation and/or chronic or long-term care. Changes in the current pattern of providing health services should be in the direction of a system of comprehensive care available to all citizens. As the system covers all citizens, so should the financing be drawn from the entire population.

Fractionated or episodic service in the treatment of disease does not produce good health. There are no short cuts or easy ways. This country's experience with Medicaid (Title XIX) illustrates what happens when isolated changes are made.

The quality of services should also be insured. There is a history of legislation in this country that has established standards of care which people have come to expect. Continued progress in this area must be sustained.

WE SUPPORT

1. Extension of coverage and services which move in the direction of comprehensive care—especially incentives for States to emphasize comprehensive care, payments to health maintenance organizations, and the inclusion of intermediate care facilities.

2. Further study of methods of financing and their connections to various health care delivery systems, especially prospective versus retrospective financing and comprehensive versus episodic systems.

WE SUGGEST MODIFICATION

1. Reduction of number of days of covering and deletion of services such as dental care and elective surgical procedures.

Alternative.—Link coverage to utilization review with duration of coverage determined by medical necessity, rather than an artificially derived number of days.

2. Cost sharing by patients. Since eligibility for Medicaid is based on being medically indigent, the patient would seldom have money for fees.

Alternative.—Delete this cost sharing.

3. Reduction of comprehensive care or coverage—especially elimination of requirement that States move to comprehensive care. This delivery system promises progressive change. Coverage under the existing legislation is far from adequate.

Alternative.—Preserve the existing standards; advance the compliance date from 1977 to 1975, thereby requiring additional service more immediately.

4. Standards—especially those reversing previously hard won advances such as (a) mandatory medical social services, and (b) use of registered nurses in skilled nursing homes located in rural areas.

The absence of social services which provide a link to family and further community relationships has been a major weakness in most nursing home programs.

To permit skilled nursing homes to be without registered nurses would be to discriminate against patients who happened to live in rural areas.

Alternatives.—(a) Require provision of social services by legislative mandate, rather than through administrative ruling. (b) Require use of registered nurses in all skilled nursing homes.

TITLE III—ASSISTANCE FOR THE AGED, BLIND, AND DISABLED

The value of an individual is based upon more than his ability to contribute to the economy; the aged, blind, and disabled need the same opportunity to pursue the good life as any other person. This means that the income provided for this group must be adequate for support at or above the subsistence level. Also, it must be recognized that many needy aged, blind, and disabled persons have special needs that require additional expenditures.

WE SUPPORT

1. Federalization with administration by Social Security Administration.
2. Amount of assistance payments and provisions for increases.
3. Trial work period of up to nine months for recipients of AD.
4. Phasing out of Food Stamps and Surplus Commodities Programs—*provided* cash equivalent to food stamp bonus is included in assistance payments.
5. Allowances for earnings and deductions.

WE SUGGEST MODIFICATION

1. Advance for Emergency Assistance to new applicants.

Alternative.—Provide emergency assistance via outright payment with H.E.W. administering this program, preferably with a worker based in the Social Security Office.

2. Quarterly reporting.

Alternative.—Require semi-annual or annual reporting via use of present assistance simplified method; i.e., report form mailed to recipient in advance with follow-up (telephone, letter, or home visit, if needed) and advance notice of date and reason of termination is to be effective if no report is filed.

3. Supplementation by states.

Alternative.—Develop incentives to states for providing supplementation *and* delete residency requirements.

4. Linking use of treatment to eligibility for drug and alcohol abusers.

While treatment is sorely needed by these persons, there is reason to question what would be gained by requiring that they accept treatment as a condition of eligibility.

Alternative.—Provide skilled counseling services to encourage use of treatment facilities but abolish linkage of use of treatment services to eligibility for income maintenance.

WE SUGGEST AN ADDITIONAL PROVISION

States now using property liens could continue to require these as a condition of eligibility for state supplements. These liens are often demeaning for recipients and provide minimal revenue. We favor requiring states to discontinue use of property liens.

TITLE IV—OPPORTUNITIES FOR FAMILIES PROGRAM

The key to constructive welfare reform may well be the provision of work and training. Appropriate employment for all who are able to work both provides an income and enhances the individual's sense of self worth. Employment planning for low income families must be done within the context of our larger efforts to resolve the critical economic and employment problems that now engulf this nation.

Unfortunately, far too few of the participants in the existing manpower programs have succeeded in obtaining and sustaining employment. For example, as of June 30, 1971, the WIN Program had terminated 34,890 enrollees following three months of job placement, while 169,874 others who did not achieve this goal were terminated. Reasons for failures are complex; a variety of program problems and personal problems of participants are involved.

Therefore, one question whether it is realistic to rapidly adopt a mandatory work placement program patterned after this particular model. Also, when our present unemployment rate is high, it is valid to make the assumption that our labor market can absorb an additional three million workers, the majority of whom do not possess job skills?

Extensive development of new employment opportunities appears to be the central need. Imaginative and aggressive development of work opportunities in both the public and private sectors should both precede and accompany requiring work registration of the needy unemployed. To ignore this reality will be to provide low income families with yet another reason for becoming disenchanted with their government.

WE SUPPORT

1. Federalization.
2. Establishment of a special division within the Department of Labor, headed by an Assistant Secretary to operate O.F.P.
3. Development of extensive and strong public service employment programs that are planned at state, regional, or local levels and remain federally financed.
4. Use of a broad array of manpower programs operated by both public and private non-profit organizations.
5. Provision of training for all persons who demonstrate the motivation and potential for utilizing this service.

WE SUGGEST MODIFICATION

1. Mandatory registration and exclusions—especially those relating to incapacity and advanced age.

Are persons who express little or no interest in work and/or have (a) no job skills, (b) limited literacy, (c) limited learning potential, (d) troubled or chaotic family life, or (e) give little evidence of possessing the personal behavior needed to sustain employment to be considered incapacitated? What evaluations will be needed to establish that a person is unemployable? What factors must be taken into account in establishing advanced age?

One or several of these conditions exist for large numbers of our present welfare recipients. These realities create serious questions concerning feasibility of mandatory registration.

Alternative.—Recognize that mandatory work is not a panacea for changing long-established attitudes and behavior among some of the present AFDC recipients. It may be more feasible—and less costly—to maintain those heads of households in the present AFDC case loads who do not wish to volunteer by use of F.A.P.

Present AFDC recipients who wish to volunteer for O.F.P., children in these families, and new applicants appear to be the groups whom we can most realistically hope to serve.

Therefore, we suggest modification of the proposed mandatory registration as follows:

(*a*) Allow all heads of households receiving AFDC when the new legislation becomes effective to choose their option.

(*b*) Concentrate on work and training for children in F.A.P. families as they become ready for employment *and* those new applicants who are able to work; if a mandatory participation feature must be used, it is more likely to be effective for these groups.

Charge the Secretary of H.E.W. with the responsibility for monitoring employability assessment service to all new applicants to insure that this is done promptly—before the first quarterly F.A.P. eligibility review is due. Employability assessment for child recipients also be monitored to insure prompt service

2. Priorities.

Alternatives.—Suggested priorities:

(*a*) Unemployed fathers and mothers, including those with children under three years of age who have child care.

(*b*) Sixteen and seventeen-year-old child recipients who are not attending school.

(*c*) Child recipients graduating from high school.

(*d*) Recipients who are employed part-time but would be available for full-time employment.

(*c*) Recipients who are employed full-time but earning less than the minimum wage.

3. Training supplements.

Alternative.—Increase amount so that it provides for transportation costs and individual expenses plus a small bonus—$50–$75 monthly seems realistic.

4. Fair hearings.

Alternative.—Provide that participants may be represented by a legal aid assistant or an attorney. Develop standards for selection of hearings officers.

5. Wage rates.

Alternative.—Require that all employment in both the public and private sectors pay wages at or above the federal minimum.

6. Child Care. See page 11 in Child Car Services section.

WE SUGGEST ADDITIONL PROVISIONS

1. Specifiy that both full-time and part-time employment are to be available. The latter employment may be more appropriate, and more economical in terms of child care costs, for many large families headed by a single parent.

2. Require all businesses, industries, educational, and public service agencies utilizing federal funds to list job openings and job qualifications with the public manpower agency. Provide that this agency will make these listings available to O.F.P.

3. Incentives for private employers:

(*a*) Tax credit for each O.F.P. participant who remains an employee for more than one year.

(*b*) Tax credit for paying an O.F.P. participant while he is receiving additional training which results in greater job security.

(*c*) Assure private employers that O.F.P. personnel will collaborate in providing employment adjustment counseling and follow-up for all O.F.P. participants whom they hire.

4. Development of a nationwide job bank, to which O.F.P. agencies would have access, by the public manpower agency.

5. Provide for "phasing in" the program in each geographic area. A plan for transferring "slot" allocations between localities and provisions for securing immediate additional funding whenever it can be demonstrated that a) persons are waiting employment, and b) additional work opportunities could be developed.

COMMENTS

Work and training programs for low income families must be an integral part of comprehensive manpower planning. Programming and funding based on a model in which planning emanates at state, regional, or local levels is perhaps a more urgent necessity in meeting manpower needs than in meeting other human needs to which this legislation is addressed. The Cooperative Area Manpower Planning System (CAMPS) may well be an existing system into which a work program for the poor should be linked if we are to move toward comprehensive manpower planning capability.

TITLE IV—FAMILY ASSISTANCE PLAN

The necessity for providing income maintenance for families in which parents are not able to work or do not have income sufficient to meet minimal family needs is clear. In order that families have optimal opportunity to remain intact and children have healthy development, payments must be sufficient to maintain an adequate standard of living.

WE SUPPORT

1. Federation with administration by H.E.W.

2. Nationwide uniformity in basic income floor.

3. Nationwide uniformity in eligibility of families including an unemployed father.

4. Admnistration by H.E.W. with separation of F.A.P. eligibility determination and review functions from social services delivery functions.

5. Phasing out of Food Stamp and Surplus Commodity Programs *provided* cash payments include the amount of Food Stamp bonuses.

6. Application through personal interview.

7. Income exclusion and disregards to be used uniformly at application and in quarterly reviews.

These provisions promise to correct existing inequities by providing for actual child care expenses as a first exclusion and a flat sum disregard.

8. Child care expenses and training supplements (in the same amount as provided for O.F.P. participants) to recipients referred for Vocational Rehabilitation service.

WE SUGGEST MODIFICATION

1. Use of income received during previous quarters in determining eligibility and amount of benefits.

In all likelihood, this income would have already been spent and would not be available for meeting current need. A possible result of using the proposed method could well be a tremendous increase in the need for emergency assistance.

Alternatives.—(a) Continue use of proposed plan *and* develop an accompanying provision for federal participation in the costs of emergency assistance grants, (b) use current need with assessment of presently available resources; i.e., currently available income, savings above a specified amount, cash value of life insurance policies above a specified amount, and cash value of specified real or personal property that could be converted into cash without depriving the family of its basic needs for food, shelter, clothing, and expenses related to school attendance for children in determining eligibility.

2. Limiting benefits to needs of eight family members.

Alternatives.—Adjust benefit scale so that needs of all eligible family members are included.

3. Heads of households to receive coverage.

The definitions of those to be covered seem to reflect these underlying assumptions: (a) only very young children need a full-time mother,-(b) work or training is a feasible plan for all other mothers and all fathers who are in good health, and (c) sufficient resources in jobs, training and child care to enable most potential F.A.P. applicants exist or can be developed in the immediate future. Experience suggests that these assumptions are all open to question.

Alternative.—View F.A.P. as a basic income floor from which those who have the motivation and potential can move ahead. Allow for its use by those who after demonstrated effort cannot locate employment or child care, those who cannot, with help, develop the life-style required by the world of work, and those female heads of households who can establish valid reasons for being needed in the home.

Develop definitions for those heads of households to be covered that more realistically reflect life as it is. See Section on O.F.P. pages 4 and 5, items 1 and 2 for suggestions.

4. Advance for Emergency Assistance to new applicants.

Alternative.—When a financial crisis exists at time of application, provide outright payment of emergency assistance until first F.A.P. payment is received.

5. Proposed amounts of payments. Proposed payment levels are below those existing in twenty-eight states. Regional differences in cost-of-living—especially rents—are a reality. A plan for taking these differences into account is needed.

Alternatives.—(a) Raise the federal floor to take these differences into account; a regional payment scale might be developed; or (b) provide federal incentives to aid states in providing supplementary payments by use of federal matching or revenue sharing.

6. Residency requirements for supplementary payments.

Alternative.—Eliminate these requirements.

7. Termination of benefits.

Alternatives.—(a) Give applicant or recipient advance written notice of proposed action, reason and opportunity for fair hearing in all instances where termination is pending for any reason. If request for hearing is made, continue benefits until hearing has been held. (b) Termination for failure to file quarterly reports should be continued. Requests for reports could be issued thirty days in advance of due date and a second notice sent fifteen days in advance. (c) Eliminate financial penalties for failure to submit other data required; treat this failure the same as failure to file a quarterly report.

8. Biennial re-application.

Alternative.—Eliminate re-application. The expectation that recipient report changes, the proposed validation and review procedures, and penalties for fraud promise to be effective deterrents to those who might abuse the program.

9. Fair hearings.

Alternatives.—(a) Provide inclusion of representation by an attorney or legal aid assistant without its being necessary that the "advocate" be subject to a "character test". (b) Develop standards for selection of hearings examiners.

10. Quarterly reporting.

Alternatives.—Use the simplified method; i.e., a written declaration. Supplement with interviewing where need is indicated.

1. Absolute exclusion of college students.

Alternatives.—Enable those heads of households receiving AFDC who are attending college and are in good academic standing when the new legislation becomes effective to complete the degree program in which they are enrolled at that time.

This could be done through a) allowing this small group to be eligible for F.A.P. with the following stipulations attached: namely, that they submit transcripts at the end of each academic term *and* that the transcripts reflect satisfactory academic work, as defined in the college attended, as an eligibility requirement, and b) creation of special federal fund upon which they could draw a loan for tuition and fees *or* (c) develop a special federal fund upon which this group could draw for a loan to cover living expenses, tuition and fees. This program could be modeled after the deferred tuition plan now in use in some colleges and universities. It could serve as a pilot project for testing the feasibility of developing in the future a nationwide plan for assisting all persons with the potential and motivation for attending college who cannot do so due to financial reasons.

2. Obligations of parents. Every effort should be made to secure support from absent parents—mothers who leave children in the care of relatives as well as fathers should be expected to assume responsibilities. While the proposed provision to hold a parent liable for all F.A.P. payments is designed to tighten support requirements, we understand that this idea, already incorporated in the Uniform Reciprocal Enforcement Act, has proven virtually unenforceable. Few of the parents involved have sufficient income to meet this liability and support themselves; therefore, it is unlikely that its enforcement would produce continuing support. Also, unless knowledge of this liability was available to each parent at the time of the desertion, it is unlikely that the requirement would serve as an inducement to arrange appropriate payments.

Alternatives.—Legislation that would extend and strengthen the existing laws—Uniform Reciprocal Support Act and Title 45, Chapter II, Section 220.48 Code of Federal Regulations—and improved administration is more likely to be effective. We suggest the following changes:

(*a*) Extend the information to be made available through Internal Revenue Service and Social Security Searches to include names of dependents and income of the absent parents for F.A.P. recipients.

(*b*) Require each state to have a Central Locator Service and charge it to use all available resources to locate absent parents.

(*c*) Provide incentives for aggressively seeking support to states by devising a plan whereby the state or local government would receive federal reimbursement for a percentage of support payments that it was instrumental in securing. It might be stipulated that the funds would be used in financing emergency assistance.

(d) Enact legislation that would make wage attachments mandatory if there is a delinquency of one month or more in support payments. Wages would be attached only after efforts in encouraging the parent to catch up the back payments have failed, thus affording the absent parent due process.

In addition, a system of penalties should be set up strongly discouraging an employer from firing an employee whose wages are attached. Plans in use in Delaware and Pennsylvania provide models for designing this legislation.

In administering the H.E.W. efforts to obtain support, we favor:

(*a*) The designation of special workers within the income maintenance unit to carry this responsibility.

(*b*) Continuation and more widespread use of the present plan whereby support payments are put into the AFDC Fund. This enables the family to have essential income during periods when an absent parent may be delinquent.

13. Linkage of use of treatment to eligibility for drug and alcohol abusers. The success rate for treatment of chronic drug and alcohol abusers leaves much

to be desired. Every skill available should be used to assist parents in obtaining treatment, for their problems could well affect their functioning in the parental role. All parents should clearly understand that if child abuse or neglect occurs, legal action and out-of-the-home care for children may be necessary.

Alternative.—Offer skilled counseling to encourage use of treatment as soon as a potential problem becomes known; initiate court action where evidence of child abuse or neglect exists, but abolish linkage of use of treatment to eligibility services.

WE SUGGEST AN ADDITIONAL PROVISION

1. Cost of living escalation clause.

COMMENTS

A comprehensive income maintenance program would include coverage for single persons and childless couples. Inclusion of these persons immediately may not be feasible; however, requiring a study of the extent of need for coverage for these persons seems indicated.

TITLE IV—CHILD CARE SERVICES

The long range child care services objective should be the provision of quality care for all children. Day care is an absolute necessity for working mothers; it is also a means for enhancing the development of many young children whose mothers are homemakers. Our immediate goal should be development of sufficient and varied services to insure that no mother would be prevented from working solely because of a lack of day care—especially those who are poor.

WE SUPPORT

1. Emphasis on standard setting. Quality day care in which educational, health, nutritional, and other services are included should be required.
2. Provisions for contracting with private agencies as well as development of more public facilities.
3. Availability of low interest loans for construction of new facilities. Loans should be available to individuals who wish to establish small group and day care homes as well as those establishing day care centers. Improvement in physical facilities, purchase of play equipment and educational materials often require initial investments beyond the financial means of some potential day care home operators. This inclusion could be a means of expanding the number of day care homes.

Federal participation in financing adoption and foster care services.

WE SUGGEST MODIFICATION

1. Administration. The proposed legislation clearly places responsibility for resource development, planning, and standard setting within H.E.W. In view of the likelihood of continued expansion of child care services and the need for more uniformity in the quality of care, an administrative plan that could more effectively unify the present fragmentation and diversity in quality of care is urgently needed.

Alternative.—Development of a new Division of Child Care Services within H.E.W.—to be headed by an Assistant Secretary. This division would carry responsibilities for planning, coordination and standard setting.

State and/or regional and local planning boards for the purpose of determining the local structure and mix of child care services needed and providing a feedback mechanism for national planning should also be established.

Department of Labor responsibility for child care services to O.F.P. participants. Charging D.O.L. with child care service responsibility asks that this agency enter into a new area of service delivery Unless there is a mass transfer of H.E.W. personnel into D.O.L. to administer and deliver these services, the result could well be chaotic. Special knowledge is required to wisely purchase care from day care centers and day care homes. Child care offered in private homes by relatives and non-relatives often is subject to breakdown; then immediate knowledge of neighborhood resources and ability to assess adequacy of care are essential for making a new plan.

Alternatives.—(a) Leave the responsibility for day care planning for O.F.P. families with H.E.W. at the present time, (b) provide funding for demonstration projects in which H.E.W. experiments with a variety of new service delivery patterns, such as operating some projects as current legislation proposes, basing H.E.W. child care personnel in O.F.P. offices, or contracting with private nonprofit agencies, or (c) utilize the findings of demonstration projects to make decisions concerning the most effective means of offering child care services for O.F.P. participants.

TITLE V—SOCIAL SERVICES

Enhancing the maximum development of all citizens requires the provision of social services; the long range goal should be social services for all who need them. The services proposed in H.R. 1 would no doubt primarily be utilized by participants in the various programs proposed in H.R. 1 and they would constitute a strong base for building a comprehensive program.

SOCIAL SERVICES FOR AGED, BLIND, AND DISABLED

The aged, blind, and disabled individual is especially vulnerable to the prospect of a deteriorating condition. Such individuals should not have to wait until they are already in a crisis state to receive services. It is imperative that there be a system or network of services which emphasizes rehabilitative; preventive, protective, supportive, and maintenance functions. The provision of such services as listed will insure these individuals of the opportunity to function at their highest capacity at all times.

WE SUPPORT

1. Provision of protective services (with attention given to inclusion of advocacy as a service homemaker services; nutrition services; housing services; emergency assistance services; training and employment; and information and referral services as proposed.

WE SUGGEST MODIFICATION

1. States not required to provide all social services. This major departure from previous policy might result in a lack of nationwide uniformity in the kinds of services made available.

Alternative.—Require states to provide all social services specified in H.R. 1 *unless* the state can establish that a particular service is not needed.

WE SUGGEST ADDITIONAL PROVISIONS

1. Pre-placement and placement services for person needing out-of-home care in boarding homes, nursing homes, homes for aged, and state institutions.
2. Personal and family counseling.
3. Assistance in leaving institutions and adjusting to the home community.
4. Attendant care services—counseling regarding need and referral to attendants.

SOCIAL SERVICES FOR PARTICIPANTS IN FAMILY ASSISTANCE PLAN AND OPPORTUNITIES FOR FAMILIES PROGRAM

Experience has shown that low-income families are "high risks" for having personal and social problems. While a more adequate income will enable some families to improve the quality of family life, others will need social services if this objective is to be realized. A wide range of services needs to be available. A highly effective means of advising potential uses of their availability must be devised.

WE SUPPORT

1. Provision of the services proposed in H.R. 1 as follows: (a) family planning; child care; services to unmarried mothers; protective services; emergency assistance; housing services; homemaker services; nutrition services; education and employment services; and information and referral services.

WE SUGGEST MODIFICATION

1. States not required to provide all social services. This major departure from previous policy might result in a lack of nationwide uniformity in the kinds of services made available.

Alternative.—Require states to provide all social services specified in H.R. 1 *unless* the state can establish that a particular service is not needed.

COMMENTS

1. The concept of voluntary use of social services should be preserved. However, there is danger that this concept could be used simplistically; i.e., no service would be offered until the recipient request it. This approach could well result in a number of problems never receiving attention until they become acute.

A strong educational program for all applicants would disseminate knowledge about available services; thus it could be a means for encouraging earlier use of social services. Group meetings in which communications media, written materials, and discussions were used could be provided. The individual and a social worker could then jointly assess social services needs, develop goals, and formulate a plan. Perhaps this legislation should charge the Secretary of H.E.W. with responsibility for devising more effective means of educating and assisting those who may need social services.

2. Legal service is often essential in the resolution of personal and social problems. The poor seldom have the funds needed to engage an attorney when they encounter problems involving civil law such as divorce, custody, consumer problems, or representation at fair hearings. We, therefore, support further movement toward establishing nationwide and publicly funded legal services for the poor. We view the establishment of a National Legal Services Corporation (H.R. 6360 and S. 1305) as a significant step toward the realization of this goal.

ADMINISTRATION AND FISCAL ASPECTS

The overall thrust and direction of the administrative and fiscal aspects of H.R. 1 appear to be sound. However, certain features need to be emphasized.

WE SUPPORT

1. The principle involved in the establishment of a national standard of income below which no elderly, blind, or disabled adult or child in this country need exist is a positive step forward.

2. Provision of financial relief for state and local government in supporting an income maintenance system is also urgently needed. The question is—Does it go far enough?

WE SUGGEST MODIFICATION

1. The flat grant less resources aproach to providing income. Problems arise in using this approach since a number of elderly and disabled adults, as well as children, have special needs—special dietary requirements, attendant care so that the elderly or disabled adult could remain in his own home, or extra expenses for use of special school programs for children.

Alternative.—Provide for special needs above the flat grant approach by using a federal matching ratio with the states for this item. Experience of states utilizing the flat grant minus resources approach to budgeting has established the need for this special needs budgeting allowance approach.

2. Federal matching for institutional care under Medicaid. The reduction of federal matching could result in one of two alternatives. Firstly, a reduction or discontinuance of badly needed nursing home and hospitalization care for the ill person if the state and/or local governments were unable or unwilling to bear the additional cost, or secondly, a cost factor providing for increase in state and local government cost which could well offset the hold harmless aspects of this bill.

Alternatives.—(a) Maintain federal participation at its present ratio level, or (b) devise a new approach that would ease the state and local tax burden.

3. Emergency assistance needs. Prior experience with massive and/or national income maintenance programs has established the ongoing necessity for an emergency or general assistance program to catch and maintain the individual while awaiting receipt of income benefits or to maintain the person in need not fitting the criteria of the massive programs. The nationalization of the public assistance program as proposed in H.R. 1 would only be workable in terms of meeting human needs for this group if state and/or local governments could maintain a very adequate emergency assistance fund.

Alternatives.—(a) Federal participation in these costs, (b) these costs to be included in the hold harmless protection of state and local financing ability, or (c) federalization.

WE SUGGEST CLARIFICATION

1. Either a clear and detailed itemization of responsibilities or a definite statement of congressional intent is needed in order to facilitate administration of the new programs. Effective service delivery is dependent upon strong linkages and close collaboration when three different federal agencies are administering the various facets of the program.

Without this clarification, the possibility of duplication is inherent. This clarification is additionally needed to assure that not only does duplication not occur, but also that definite responsibility for the provision of services or income maintenance functions is clearly fixed in order that these services and functions are in fact provided.

2. Clarification is also needed concerning the utilization of presently employed staff in the new programs. While much work is being done on this by both H.E.W. and the Social Security Administration, we favor inclusion of the plan to be used within the bill.

We suggest that the legislation also be addressed to clarifying the employment rights of any employee whose present job would be abolished. The coverage afforded the employee might include provision for either: a) automatic transfer to the new agency responsible for his present job function, or b) preference points on any necessary examinations. Attention should also be given to salary maintenance rights, collective bargaining rights, pension rights, transfer of existing annual and sick leave. If the employee cannot be utilized in the reorganization plan, consideration should be given to assisting him in obtaining new employment or retraining.

Senator ANDERSON. We will adjourn until 2 o'clock.

(Whereupon, at 12:15 p.m., the hearing was adjourned, to reconvene at 2 p.m. this date.)

AFTERNOON SESSION

Senator BENNETT. Mr. Cosgrove, the rest of the members of the committee will be here when the voting ceases on the floor, and with eight more to go, I think we had better get started. I hope this is the last vote today, we are running out of Senators over there. We are not running out of witnesses. All right, Mr. Cosgrove.

STATEMENT OF JOHN E. COSGROVE, DIRECTOR, SOCIAL DEVELOPMENT, U.S. CATHOLIC CONFERENCE

Mr. COSGROVE. Thank you, Senator Bennett.

Mr. Chairman, and members of the committee, we appreciate the opportunity to testify on this important legislation, particularly in view of the fact, it is our understanding, some bill is to reach the Senate floor with the Senate to work its will.

Our organization is an agency of the Catholic bishops of the United States, designed to assist and coordinate activities of the church in social and public affairs.

With your permission, the statement being in the record, I will simply, and I think it is your desire, cover a few of the central points of our testimony rather than the full statement.

Senator BENNETT. Fine.

Mr. COSGROVE. The United States Catholic Conference supports the three basic principles embodied in the welfare reform legislation passed by the House of Representatives and now being considered by this committee. Our comments will utilize, H.R. 1 as a point of reference to discuss the issues that are of concern to us.

First we feel every family and every individual in the United States should have the income necessary to take care of his basic needs in order to maintain his dignity as a human being. This is the starting point, therefore we heartily endorse the principle of a guaranteed income as passed by the House, but we hope it could be improved in a variety of ways.

One would be by increasing the minimum payment to a level approaching that of the official poverty level. Another would be including individuals and childless couples. Another would be setting as a goal to be achieved within a specified time period a payment level equal to that of the lower level income of the city workers' family budget of the Department of Labor.

Second, we would favor——

Senator BENNETT. May I stop you at that point?

Mr. COSGROVE. Yes.

Senator BENNETT. Our records show that to increase it to the poverty level of $3,900, will cost something like $40 billion. To increase it to the New York level of the lower income level will cost $120 billion per year. So I am afraid that we can't hope to approach those levels, particularly not at this time.

Mr. COSGROVE. Senator Bennett, if I may comment on that, we would suggest the approach to this level of the city workers family budget, lowest of the three categories, gradually, by a series of steps. But we would urge that the poverty level is the beginning level, appreciating there is a great deal of dollar cost here. I think we would want to observe, however, that one can legitimately raise the question as to whether there is, in fact, an expense for the whole society, whether instead it is an investment in human terms and also in practical operating terms.

As you know, we have examples of legislation in which the moneys appropriated were, by the social investment, more than returned in dollar terms to the Treasury, but beyond that I think of the great example, of course, of the World War II GI education bill. Besides there is the human dignity and human concern involved.

I think we start from the point of view, sir, of what the need is and work from there, appreciating that this will be a major and practical step forward not only for the Congress but for the whole country to take, if we are to address this terrible poverty.

Senator BENNETT. Even the poverty level would increase the tax burden of the American people by 20 percent.

Mr. COSGROVE. I think our position would be, sir, that the overriding concern of the goal has to be the need, the need of people to have some minimum standard, some minimum income to which they can look, on which they can rely; that this society is in fact rich enough to produce this, if we have the will to do it.

Senator BENNETT. Well, I just wanted to get these figures into the record at this point.

Mr. COSGROVE. Yes, sir, I appreciate that and I appreciate the opportunity to make our point that the dignity of the people involved and the need is our chief concern.

Our feeling is that the establishment of a single national standard for eligibility to receive payments and the assumption of the basic

income assistance payment by the Federal Government is more democratic, more workable and will be better than 54 separate programs.

We will support, of course, the concept of the opportunity to work, the opportunity for employment for all Americans, that all those who are willing and able to work, find work. This work ethic is deeply woven into the fabric of the society and, of course, in the fabric of our religious institutions.

If the provision for employment opportunities is adequately supported and funded we feel the lofty objectives of the Employment Act of 1946 could be achieved. This is an ideal that we would submit has been too long neglected.

We testified before this committee in August of 1970. We felt the payment level was too low. Although the payment level for a family of four is $2,400 in H.R. 1, recipients are expressly prohibited, as I understand it, from participating in the food stamp program. While the net payment proposed for a family of four then has remained constant in the two bills passed by the House the unofficial poverty index has increased by some $225.

Mr. Chairman, in addition to the amount, to which we are referring, the other questions to which I might briefly refer are those of the adequacy and then the question of the supplementary programs. We think that the supplementation by the States should be provided for as required if something approaching adequacy is to be reached.

We would suggest that one of the real problems here, which has developed over the last several years, is unhealthy competition to export recipient families, beneficiary families, to areas where it is thought, the benefits are better under the welfare program. We think this is a competition in which there is no winner, no community really wins, and the families may well be the losers.

The third area in which we would like to see a family assistance plan strengthened is in the area of employment opportunities. Our first concern is in the dependence of this proposed legislation on the WIN program which, in the opinion of such authorities as the distinguished chairman of this committee and the chairman of the House Ways and Means Committee, the National Urban Coalition, as I understand, in their judgment it does not work. We concur in this judgment, it has not worked very well.

We do not share the optimism of the chairman of the House Ways and Means Committee that an authorization of $800 million, and some additional resources and authority for the Secretary of Labor in administering the program will appreciably change the WIN track record. We would suggest that the proper emphasis be attached to the work opportunities provision.

Now Senator Ribicoff and others have made known some of the myths and the inaccuracies that surround this question of who are the welfare recipients, and I think there is no need to go over these, they are in our written testimony.

A third general problem is this very broad fact of employment opportunity not keeping pace with the rate of new entrants into the job market. It just has not. As a result of this, as a result of the general economic malaise we have the 6 percent or 6.1 percent unemployment.

If one of the key objectives of this legislative proposal that we are discussing is to provide for every willing and able American the

opportunity of employment, if this is to be realized, if the period of the late fifties and the early sixties when the unemployment rate stayed well above 4 percent for several years is not to be repeated, and if, as President Nixon asserts, the transition from a wartime to a peacetime economy is a difficult one, then the addition of $800 million of public service employment and the additional resources and authority to the Secretary of Labor would seem to be inadequate and are inadequate for the purpose. We would hope this committee would provide for an even larger program of public service, employment through public service, employment to provide additional meaningful work experience for those who do not have jobs available now and who are without work or with little prospect of finding a job.

Now, I would like to allude, if I might, to this business of the working mothers. This is an area of very grave concern to us, this requirement that recipient mothers of children age 6 or older register for work, and by 1974 that this requirement would apply to mothers with children of age 3 or 4.

I would like, with your permission, to quote a statement of the American bishops issued in November of 1968 that has some relevance. The bishops said:

> Programs devised to assist less advantaged families should at all costs avoid disruption of the family unit. A major disruption occurs when mothers are required to separate themselves from their young for the sake of added income. * * * Every member of each family has a right to be cared for, not as an isolated person but as a person who belongs with and depends upon a family.

The U.S. Catholic Conference has taken the position that mothers of school-age children or younger should not be required to work. Needless to say, we find the requirement that mothers of children as young as age 3 be required to work to be even more objectionable.

I think the point here would be, there was reference this morning to the fact that a good many of the mothers in fact work in any event. I think where it is a matter of choice this is a different matter than where there would be an obligation as a precondition of receipt of benefits under the program. I think this business of not having the option is a vitally important distinction.

With regard to the matter of suitability of employment, we would only note that it should involve the normal conditions of work but also that the wage offered should be not less than the Federal minimum wage, whether or not the particular job to which one is referred is under the Federal Labor Act coverage. The employment security program since 1936 has seen, we think, some rather serious abuses of this norm of suitable employment. We testified on this point at some length in 1970 before this committee.

The CHAIRMAN. Could I just stop you at that point to ask you a question——

Mr. COSGROVE. Yes, sir.

The CHAIRMAN (continuing). That occurs to me to see if we might agree on at this point.

Suppose we provide some kind of a supplement to what a person can earn, and if you take the wage that the person is able to earn working in private employment, plus what we might be able to add to it, and that works out to as much as the minimum wage, would that meet your standard or would you insist that he make the minimum wage even before we would add something to it?

Mr. COSGROVE. Senator, if I understand your question correctly, I have not considered that before, if the funds would go to the person, the recipient, this would be one thing to supplement his income. If by this you mean the subsidies to the employer that is paying below the minimum, I would find this latter very objectionable.

It seems to me it ought not to be the purpose of the American Government to be subsidizing inefficient employers or marginal employers.

The CHAIRMAN. Well, but let's look at it the other way around. I know a lot of people who just haven't had the good fortune to be able to earn the minimum wage. They are poorly educated, have very little skill, and don't have too much talent to acquire much skill.

Now, it would be perfectly all right with me to add something to what that person can make, and I would much rather tell the person to stay at the job where he is and we will add something to what he is earning, even though we have to do it with tax money, than I would put him on welfare and provide him an incentive to quit the work.

I have had the situation where I have seen my neighbors just quit their jobs because they can make more money on welfare, a very discouraging situation.

Now, the welfare wasn't intended for that purpose, and as long as you have jobs that are not covered by the minimum wage, what would offend you about it if what the person earns, plus what we can add to his earnings, equals the minimum wage or better?

Mr. COSGROVE. Well, Senator, frankly I have trouble with the premise and that is that there ought to be jobs outside the minimum wage coverage. The hope originally, as I understand the 1938 Fair Labor Standards Act, was there would be State coverage of intrastate jobs and that the ideal would be a general minimum floor of whatever level, starting at a quarter, as you know, at that time, $1.60, now.

What I am suggesting is that there ought to be as nearly universal as possible coverage of the minimum wage law so that the premise, you see, of the question, is the one with which I differ.

The CHAIRMAN. Well now, you feel that the minimum wage law ought to apply to everything.

Mr. COSGROVE. Yes, sir.

The CHAIRMAN. Regardless of how inefficient a person may be, I take it. But if you can't get your way, and there are still a lot of jobs, a million or two million jobs, that are not covered by the minimum wage, though people are poor and need some help, why should we require them to quit their job in order to obtain some help?

Mr. COSGROVE. Well, I think there are instances—you say you know of individuals in some instances—where it might pay someone in a given circumstance when their pay is so bad, their job is so poor, that it would in fact be preferable to stay home.

There was a strike here in the Washington suburbs a few years ago of hospital support staff. My information was that these people had a take-home pay, these support people on the hospital staff, of $26 a week, and I don't know how many hours they worked for this, but the fact is the bus fare round trip in the District where most of these people lived was in excess of $1, so there would be a circumstance where it would hardly pay the person to go to work.

What I am saying is I don't believe any step that is taken in this legislation should lend any support to the maintenance of these marginal jobs because even at 40 hours a week and 50 weeks or 52 weeks a year at $1.60, one is certainly not in affluence, so I think it is not an unfair expectation for society to take the view that this $1.60 should be of universal coverage. Lacking that, as you say, that is not the fact, we don't have universal coverage by any means, therefore, I think we should require this as part of what is suitable here.

The CHAIRMAN. I imagine you have a solid fixation on the subject and the American Federation of Labor and CIO. It is my recollection that even they were willing to go along with the proposal where a person could draw the welfare aid and would be expected to take a job at $1.20 an hour, so apparently they are more for their program than you are.

Mr. COSGROVE. Senator, I am not sure whether your intent would be the intent of paying it to the employer of these people.

The CHAIRMAN. No, the employee.

Mr. COSGROVE. Employee to supplement his income.

The CHAIRMAN. I am just asking your reaction to a situation, a man has a job, making $1.20 an hour, suppose we just add to that, up to $1.60, the minimum wage.

Mr. COSGROVE. It would be better than not to do that, but it would not be the thing that I would prefer. I would prefer that we arrived here at a figure for a family of four, whatever the norm would be, the definition of an amount that is, with which they can live with dignity, the family can live with dignity, and this would be a right of people under this social decision.

I was alluding earlier to the working mothers question. We think this is of great importance and, if you would like, we can elaborate on this but it is simply a matter of judgment of whether a person ought to be, as a matter of precondition of receiving benefits, a mother of children where she is the head of a family and in a sense already handicapped by this, to take a reference to a job without option. She must in fact do this.

There are some omissions that we would want to suggest be looked at by the committee, including that there is no provision, as we understand it, for childless couples or single people, nor to the qualified people currently administering the 54 separate welfare programs.

On the first point, there is some real need by single people and childless people, and we are particularly concerned about some of the returning Vietnam veterans, the blacks, Spanish-speaking, the other ethnic minorities, the laid-off, indefinitely furloughed, over 40 years of age with grown children, all of those groups suffering significantly higher unemployment figures than the general population.

With regard to the people administering programs now, should this gradually become a Federal program, a federalized program, we would think that those who are qualified to do the work should be given special consideration.

I would like, if I might, to say that, in conclusion, we would take the view that H.R. 1, with the Ribicoff amendments as a first step, has our support. We would prefer more in some regards but this does come within the capacity of America to meet its obligation to raise the

incomes of those trapped in the treadmill of poverty to a level that will more readily provide them with some hope and with self-respect, maintain their dignity and some cohesiveness for their family, and we urge that we provide more funds for public service employment although we feel that even the $1.2 billion suggested to be authorized is woefully inadequate.

Finally, we would reiterate that all of the proposals before the Congress fall short of what is required to meet the need. If indeed we are to avoid the waste in human terms that occurs with high unemployment we must prepare ourselves as a nation to make this transition to peace as we do for war, including the estimated payment of $300 per taxpayer per year authorized to provide every American the opportunity for the God-given, immutable rights to life, liberty, and the pursuit of happiness, and we should do this now, we suggest, before the bicentennial of the Nation whose purpose is thus stated so eloquently in the Declaration of Independence.

We are saying we think there is much good in the original proposal and in the legislation that has been worked out by the House. Some of the basic tenets are important steps forward, and when one takes important steps forward in this society legislatively, it is costly, it is a matter of some trauma, but it is a matter that requires doing, and because of the consequences involved here, the lives of people, and indeed the lives of generations, and the human dignity involved, it is a matter in which there is an important world dimension and which we hope, when the Senate does work its will, will result in an important step forward, perhaps analogous in consequence to the great legislation of the 1930's and the 1960's that was so important in the social field.

Senator BENNETT. No questions.

The CHAIRMAN. Thank you very much, sir.

Mr. COSGROVE. Thank you.

(The prepared statement of Mr. Cosgrove and a communication received by the committee from Most Rev. Joseph L. Bernardin, general secretary, USCC, follow. Hearing continues on page 1726.)

PREPARED STATEMENT OF JOHN E. COSGROVE, DIRECTOR OF SOCIAL DEVELOPMENT, UNITED STATES CATHOLIC CONFERENCE

Mr. Chairman and Members of the Committee, the United States Catholic Conference is an agency of the Catholic bishops of the United States, designed to assist and coordinate activities of the Church in social and public affairs.

Let me begin by quoting a letter of Pope Paul's, which indicates one reason for our concern for the Family Assistance Plan.

"There is a need to establish a greater justice in the sharing of goods, both within national communities and on the international level. . . . The use of force moreover leads on to the setting in motion of opposing forces, and from this springs a climate of struggle which opens the way to situations of extreme violence and to abuses." ("A Call to Action," Pope Paul VI, May, 1971, p. 43.)

The United States Catholic Conference supports the three basic principles embodied in the welfare reform legislation passed by the House of Representatives, and now being considered by this Committee. Our statement will utilize H.R. 1 as a point of reference to discuss the issues of concern to us.

First, we feel that every family and every individual in the United States should have the income necessary to take care of his basic needs in order to maintain his dignity as a human being. Therefore, we heartily endorse the principle of a guaranteed income as enacted by the House, and would hope that it could be improved by: increasing the minimum payment to a level approaching that of the "official" poverty level; including individuals and childless couples;

and setting as a goal to be achieved within a specified time period a payment level equal to that of the "lower level income" of the City Workers' Family Budget, as determined by the Bureau of Labor Statistics of the United States Department of Labor.

Second, we favor the establishment of a single national standard for eligibility to receive these payments and the assumption of the basic income assistance payments by the Federal Government as:

(*a*) A more democratic, equitable, and humane means of insuring that all Americans will receive a minimum income;

(*b*) Administratively more efficient and fairer to all who are trapped on the treadmill of poverty and who are dependent on the 54 separate programs that are now in existence; and,

(*c*) An important and viable building block in the establishment of a public policy to stem the continuing migration flow into our great metropolitan centers.

Thirdly, we support provisions for the opportunity for employment for all Americans who are willing, but unable to find work. The "work ethic" is deeply woven into the fabric of American society and America's religious institutions. If the provisions for employment opportunities are adequately supported and funded, we feel that the lofty objectives of the Employment Act of 1946 could be achieved—an ideal that we would submit has been too long neglected.

AREAS TO BE STRENGTHENED

There are provisions in H.R. 1 that we feel could and should be strengthened to more rapidly implement the President's worthy objectives set forth in his Welfare Reform statement of August, 1969 and to hasten the day when all Americans will receive a share of this nation's wealth adequate to guarantee their dignity and self-respect. It is to these provisions that we will devote the following portion of our statement.

We testified before this Committee in August, 1970 that we felt the payment level was too low. Although the payment level for a family of four is $2400 in H.R. 1, recipients are expressly prohibited from participating in the Food Stamp Program. While the net payment proposed for a family of four then has remained constant in the two bills passed by the House, the "official" poverty index has increased by some $225 in this same two-year period.

While we appreciate the many varied and complex problems that face this Committee in determining how to allocate public monies for the many programs in its purview, we strongly feel that a payment level of $2400, which is some $1568 below the "official" poverty index, is obviously too low for a family to adequately maintain itself.

Since the supplemental payment to the working poor is based on the basic family assistance payment, families that would be eligible for this category of assistance would also find taking care of their basic needs most difficult. For example, the largest net income a family of four can earn and still be eligible for family assistance supplements is $4140 per year. The family would be eligible for a supplement of $120 for the year, raising its income to $4260 per year, or less than $300 above the "official" poverty level.

In his encyclical "Christianity and Social Progress" the late Pope John XXIII asserted:

"Wherefore, we judge it to be our duty to reaffirm once again that just as remuneration for work cannot be left entirely to unregulated competition, neither may it be decided arbitrarily at the will of the more powerful. Rather, in this matter, the norms of justice and equity should be strictly observed. This requires that workers receive a wage sufficient to lead a life worthy of man and fulfill family responsibilities properly * * *" ("Mater et Magistra", Pope John XXIII, May, 1961, p. 71.)

I suggest that were one cannot earn a "wage sufficient," some adequate social program is required.

The situation of the family of four in which the breadwinner earns $1.60 an hour, the present minimum wage, or $1.20 an hour, three-fourths of the Federal minimum wage, is even further from the norm suggested by Pope John XXIII. In these cases, the family of four would receive supplements of $661 and $1216 respectively, bringing the income of the family in which the breadwinner earned the minimum wage to $3989 annually, just over the "official" poverty level, and

the income of the family in which the breadwinner earned three-fourths of the minimum wage to $3712 annually, or more than $250 below the "official" poverty level.

While we strongly support the concept of income supplements, we seriously question whether these supplements that result in an income so close to the poverty line really provide the family with much real hope, or contribute to the cohesiveness of the family unit, which it is assumed is or should be a basic objective of welfare reform.

Our concern for the adequacy of the basic family assistance payment would be somewhat allayed if H.R. 1 provided for a combination of mandatory state supplements or a clause to insure that no present recipient's benefit would be reduced, or both.

However, neither of these very real conditions is provided for in H.R. 1 and we are gravely concerned that the problems faced by the states adopting voluntary supplemental programs will be exacerbated by an increased flow of recipients from states that do not choose to adopt voluntary programs and the general stagnant employment situation with a 6.1 per cent unemployment rate. We have been increasingly distressed by the number of states that have trimmed welfare payments recently, and we fear that all too many states will elect not to supplement family assistance payments, thus setting off an unhealthy competition to export family assistance recipients—a competition in which no community will be a winner, but in which the poor families may be the losers.

We feel that the problems of the inadequate family assistance payment and increasing movement of low-income families to the large metropolitan centers could partially be met by either raising the basic federal payment to a level more nearly approaching the poverty level, or by making state supplemental programs mandatory in a manner similar to that included in the bill passed by the House of Representatives in the 91st Congress for unemployed fathers. Our preference would be the former suggestion, as we feel that it would be administratively more equitable and, in our opinion, it is a more efficient means to help lessen the migration flow.

The third area in which we would like to see any family assistance program strengthened is in the area of employment opportunities.

Our first concern is the dependence of this proposed legislation on the Work Incentive Program (WIN), which in the opinion of such authorities as the distinguished Chairman of this Committee, the Chairman of the House Ways and Means Committee, and the National Urban Coalition just has not worked very well. We concur in this judgment, but we do not share the optimism of the Chairman of the House Ways and Means Committee that an authorization of some $800 million and some additional resources and authority for the Secretary of Labor in administering the program will appreciably change the WIN "track record."

We would suggest also that the proper emphasis be attached to the work opportunities provisions. Senator Ribicoff recently documented that four commonly held assumptions about those receiving welfare assistance are myths:

(*a*) That less than one per cent of all recipients (126,000) are able-bodied men, and 80 per cent of these would like to work;

(*b*) That only 35 per cent of the mothers, or 14 per cent of the total welfare rolls could be available for work if day care services were available;

(*c*) That less than 4/10 of one per cent of the total welfare caseload are suspected of fraud or misrepresentation;

(*d*) That desertion, when it occurs, is an "effect" of a poorly structured system; and,

(*e*) That "subsidies" to the well-to-do to create jobs will only create a "welfare caste working class," and that the real need is to create meaningful public service jobs.

A number of arguments, not all original with us, support our contention that a "work requirement" and an expanded WIN program will not decisively reduce the welfare roles. Senator Ribicoff has demonstrated that, at the most, less than 15 per cent of all welfare recipients would be able to work if jobs could be found and day care services provided. In New York City, where a pilot program is presently underway, only some 4,000 of an estimated 80,000 welfare recipients available for work have been placed in jobs.

Second, the pool of full-time, year-around jobs available for placing welfare recipients has been declining. According to the evaluation of the United States

Employment Service conducted by the National Urban Coalition over a six-month period ending March 30, 1971, the number of the job vacancies referred to the Employment Service to fill declined, even during a period of full employment. It is most difficult for us to envision the WIN program placing any more people than the number of slots that are made available for public employment by the $800 million authorization under H.R. 1.

A third problem is a general one of additional employment opportunities not keeping pace with the rate of new entrants into the work force. For the most part, this scracity of employment opportunities makes it even more difficult to place the welfare recipient, who generally is handicapped by a lack of a stable employment record and formal education and training. Even with whatever stimuli results from additional tax deductions and exemptions available to businesses and individuals recently enacted by this Congress, it is estimated that the real growth rate of the economy will be somewhere in the neighborhood of 6.5 per cent for 1972, and that this growth rate cannot be expected to reduce the unemployment rate below the 5.2 to 5.6 per cent level, or more than one million jobs short of full employment. Industry economists have generally been less optimistic than government and academic economists in their predictions of the real growth rate for 1972, making the prospect for approaching full employment levels even bleaker.

If one of the key objectives of this legislative proposal—to provide every willing and able American with the opportunity for employment—is to be realized, if the period of the late 1950's and the early 1960's, when the unemployment rate stayed well above the 4 per cent level for several years, is not to be repeated, and if as President Nixon asserts, the "transition from a war-time to a peace-time economy is a difficult one," the addition of $800 million for public service employment and the additional resources and grant of authority at the disposal of the Secretary of Labor are clearly inadequate to the task at hand. We fully appreciate that the responsibilities for directing the public sector are shared within the Congress, by the Congress with the Executive Branch, and that no one Congressional Committee can address itself to this entire problem. However, we would hope that this Committee would provide for an even larger program of public service employment in order to provide meaningful work experiences for those who are available, but who are without work and with little prospect of finding a job, in light of the projected slow rate of growth of the labor force.

The proposal to subsidize employers who in turn would increase the salaries of their low-wage employees is objectionable to us. First, low-wage industries are our more inefficient and we oppose the additional subsidies to inefficient operations. Second, subsidising inefficient firms is more likely to permanently consign the worker to a "dead-end" job and the associated uncertainty in working in these inefficient industries. Third, we seriously doubt that a large number of low-wage employers can write checks as efficiently as the Social Security Administration, and therefore we would urge, in the interests of the taxpayers, that income supplements remain a direct assistance program to low-income families.

AREAS TO BE DELETED

A basic tenet of Catholic doctrine is the sanctity and the inviolability of the family unit. "In the family, the person becomes the confident servant of life and life becomes the servant of man. The Church must make good her belief in human life and her commitment to its development by active as well as doctrinal defense of the family and by practical witness to the values of family life." ("Human Life In Our Day", November, 1968, p. 7.) In light of this forceful and eloquent restatement of the primacy of the family by the American bishops in a collective pastoral letter, we have become increasingly disturbed by the steady erosion of those provisions in the initial family assistance proposals designed to strengthen the family.

The first area of grave concern to us is the requirement that recipient mothers of children age six and older register for work, and by 1974 that this requirement would apply to mothers with children age three and older.

"Programs devised to assist these less advantaged families should at all costs avoid disruption of the family unit. A major disruption occurs when mothers are required to separate themselves from their young for the sake of added income. . . . Every member of each family has a right to be cared for, not as an isolated person but as a person who belongs with and depends upon a family."

("Human Life In Our Day", November, 1968, p. 25.)

The United States Catholic Conference has taken the position that mothers of school age children or younger should not be required to work. Needless to say, we find the requirement that mothers of children as young as age three be required to work even more malodorous.

A second area of concern is the "suitability" requirement. As we testified before this Committee in August of 1970:

"While it is desirable that registered beneficiaries accept truly suitable employment or training, when they are reasonably able to do so, disqualifications should follow refusal to do so only where the employment offered is genuinely suitable or the training clearly revelant."

We should include in the definition of "suitable" not only the normal connotations of the work, but also that the wage offered be not less than the federal minimum wage, whether or not the particular job referred to is covered by the Fair Labor Standards Act. The Employment Security Program, since 1936, has seen serious abuses of the suitable employment norm.

Also, as we testified before this Committee in 1970:

"The history of administrative findings and judicial determinations show the varying and, in too many cases, unjust decisions which have resulted from these words and phrases when used in previous legislation. The liberal administration of these provisions will be vitally important if they are not to be used to drive people from the qualified roles. It is essential that there be strong, vigorously enforced Federal standards on referrals to insure even-handed interpretation and equitable application of these requirements."

"A workman has good cause to refuse employment, in our judgment, if, for example, the offer is of a job below the Federal minimum wage or the prevailing wage, whichever is higher, if it is an unusually hazardous job, if the commuting time is unreasonable, or if experience shows that the prospective employer consistently discriminates in hiring or upgrading on the basis of race, creed or color. This seems to accord with the Administration's recommendations.

"Unless the statute, the legislative intent and the regulations are crystal clear, however, the abuse of this section can vitiate much of what the Bill would otherwise accomplish. We are not sure that the Bill now is adequate on this score. There should be more explicit Federal statutory standards for work referral * * *"

Further, the requirement that a mother of pre-school age children take employment at $1.20 per hour will very likely be more expensive to the government than if she did not work and received the full family assistance payment. A hypothetical but quite feasible situation would be the family consisting of a mother and two pre-school age children. Under the provisions of H.R. 1, the family would be eligible for an annual payment of $2,000 per year. If, however the mother chose to work at $1.20 per hour and place her children in a day care center at a cost of $35 per week per child (the average of the range of costs for day care in a recent survey by Mary Keyserling), this care would cost $35000 per year, and under the provisions of H.R. 1, the Federal Government would pay the $1004 difference between the cost of the day care services and the mother's annual income plus a $2,000 family assistance payment. In summary, if the mother in this case did not work, the cost to the Federal Government for this family would be $2,000 per year. However, by working full time even at $1.20 per hour, the cost to the Federal Government for the same family would be $3004 per year. This can scarcely be characterized as either "reducing welfare costs," or as a "work incentive."

Recent reports by the General Accounting Office of day care services and facilities lead us to recommend that at least part of the $750 million authorized for that purpose could be much better spent in direct payments to families. While we strongly supported the recent child care bill passed by this Congress but vetoed by the President, we seriously question the wisdom of two separate child care programs, one for family assistance recipients and one for the rest of the population, as apparently was the intention of the House of Representatives in enacting both H.R. 1 and S. 2007. We find this kind of program both wasteful and discriminatory.

Finally, we are somewhat distressed by what we discern as a trend toward attempting to solve what are fundamentally family problems by the creation of institutions that tend to isolate the individual and his problem from his family. With each revision of the family assistance program, mothers of younger children are required to register for work. We oppose this trend both on moral

grounds and on the pragmatic ground that attempting to find an institutional solution for a fundamental family responsibility just has not worked in the American experience.

OMISSIONS

Two areas of concern to us that are not included in H.R. 1 are that there is no provision for childless couples or singles, nor to provide qualified people currently administering the 54 separate welfare programs with preferential status in hiring for the new Federal program.

The problems of the single person or the childless couple also become more severe during a period of high unemployment. Specifically, we are concerned for the returning Vietnam veterans, the Blacks, the Spanish-speaking and other racial or ethnic minorities, and the laid-off or indefinitely furloughed workers over age 40 with grown children, all of whom suffer a significantly higher unemployment rate than the general population. We would strongly urge, if this Committee does not feel that it can expand the present eligibility requirements to include these categories for the basic family assistance payment, that those who find themselves in these categories receive the same level of job placement services by the Secretary of Labor as those eligible for the family assistance payment, including the estimated 200,000 public service jobs authorized by H.R. 1.

We are also concerned about the fate of those who are currently helping to implement the 54 programs that make up the current welfare system. While we would concede that these programs have not worked well and that the skills associated with implementing these kinds of programs (social workers and public health personnel) may not face as competitive a labor market as those in other categories, we feel that, in the interests of equity, those who would be displaced by the new system should be given preferential treatment—if they are clearly qualified—in hiring for the new program and provision made for a dislocation allowance during the period of transition.

The previous sections have addressed themselves to the provisions of Title IV of H.R. 1 that we find not strong enough or objectionable. We fully realize the tremendous job that lies ahead of us in educating all of us in the American community to the needs of our less fortunate brothers and that the progress that we have made in attaining this goal has been indeed small. Further, we are aware of some of the realities that face this Committee in working its will. Pope John XXIII gave us the guidelines for judging proposals for social betterment in his encyclical.

"Considering the common good on the national level the following points are relevant and should not be overlooked: to provide employment for as many workers as possible; to take care lest privileged groups arise even among the workers themselves; to maintain a balance between wages and prices; to make accessible the goods and services for a better life to as many persons as possible; either to eliminate or to keep within bounds the inequalities that exist between different sectors of the economy; . . . to balance properly any increases in output with advances in services provided to citizens, especially by public authority; to adjust, as far as possible, the means of produtcion to the progress of science and technology; finally, to ensure that the advantages of a more humane way of existence not merely subserve the present generation but have regard for future generations as well." ("Mater et Magistra", Pope John XXIII, May, 1961, p. 79.)

SUMMARY

Therefore, we, with some reluctance support H.R. 1 with the Ribicoff Amendments as a first step. This judgment is based on the belief that America does have the capacity to do more in order to:

(*a*) Raise the incomes of those trapped in the depths of poverty to a level that will more nearly provide them with the hope and the self-respect to maintain their dignity and a cohesiveness within their families;

(*b*) Provide coverage to childless couples and to singles to ensure a more nearly adequate payment level through mandatory state supplementation programs and to guarantee that no one presently receiving welfare assistance will receive less when the program takes effect;

(*c*) Provide more funds for public service employment although we feel that even the $1.2 billion suggested to be authorized is woefully inadequate; and

(*d*) Provide preferential hiring treatment to those currently employed in welfare programs.

CONCLUSION

Finally, we would iterate that all of the proposals before the Congress fall far short of what is required to meet the need. If indeed we are to avoid the waste in human terms that occurs with high unemployment, we must prepare ourselves as a nation to make this transition to peace as we do for war, including paying the estimated $800 per year per taxpayer (by Professor Lawrence Ritter, New York University School of Business Administration to accomplish the priorities established by the National Urban Coalition) in order to provide every American with the opportunity for the God-given, immutable rights to "life, liberty, and the pursuit of happiness." We should do this now, before the Bicentennial of the nation whose purpose is, thus, so eloquently stated in our Declaration of Independence.

U.S. CATHOLIC CONFERENCE,
Washington, D.C., February 16, 1972.

Hon. RUSSELL LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: You will recall that in 1967 your Committee considered the question of Social Security coverage for members of religious orders under a vow of poverty. At that time, your Committee rejected a proposed amendment by the House Committee on Ways and Means which would have removed the exemption of members of religious orders under the vow of poverty from participation in the Social Security system.

The action of your Committee was taken after a request by the United States Catholic Conference and the Conferences of Major Superiors of Men and Women's Institutes who expressed a desire to study the implications of Social Security coverage for their members prior to any action by the Congress. Bishop Paul F. Tanner, then General Secretary of USCC, promised to advise you as to the result of this study.

I am now able to advise you that the Conference of Major Superiors of Men and the Conference of Major Religious Superiors of Women's Institutes, through their governing bodies, have approved a proposal regarding Social Security coverage for members of religious orders under the vow of poverty. This proposal has been incorporated in H.R. 1 as passed by the House of Representatives and is currently pending before your Committee.

The amendment passed by the House in H.R. 1 has the approval of the Social Security Administration, the Department of Health, Education and Welfare and the Bureau of the Budget. The proposed amendment takes account of the unique position of religious orders and their members in American society, under the laws of the Church and under the distinct and varying rules which govern their internal affairs.

As General Secretary of the United States Catholic Conference, I would like to concur in the recommendations of the Governing Boards of the Conference of Major Superiors of Men and the Conference of Major Religious Superiors of Women's Institutes. I would hope that you would be able to concur in an amendment to the Social Security Act which would assist the religious orders in this matter.

With cordial good wishes, I remain
Sincerely yours,

MOST REV. JOSEPH L. BERNARDIN, *General Secretary.*

Senator BENNETT. Mr. Chairman, now that this witness has finished I will be impolite, as I have been in the past. When that bell rings, you have had your 10 minutes. We have eight witnesses left, and if the remainder don't live within the 10 minutes it will be a long dark night.

So I hope that those who follow will realize that they were invited under conditions that they would have 10 minutes for oral testimony and try to live within it. When the bell rings try to close off your statement as quickly as possible. Your main statement is in the record, and will be studied. It really will be studied harder than what you may say here orally.

Now I am the devil's advocate and that is my privilege, Mr. Chairman. But perhaps I shouldn't say that to people who testify for the Church. [Laughter.]

The CHAIRMAN. The Senator is correct, of course, in what he says.

The next witness is the Reverend Monsignor Corcoran, secretary of the National Conference of Catholic Charities.

STATEMENT OF REV. MSGR. LAWRENCE J. CORCORAN, SECRETARY, NATIONAL CONFERENCE OF CATHOLIC CHARITIES

Reverend CORCORAN. Thank you, Mr. Chairman. I hope that if Senator Bennett is the devil's advocate that maybe I am something else. [Laughter.]

But I assure you I will stay within the 10 minutes. I even had that determination before you made your remark, Senator, because the statement has been submitted and the summary of it, and I felt that I would make a few comments that are pertinent to the core of it to try to illustrate some of the concepts which we would like to highlight for this presentation which we appreciate the opportunity of having.

Very quickly, you might say, I would just say a word with regard to the social security and the medicare-medicaid, and get to the matter of the welfare reform which is of such vital concern to all of us, and that is that we would like to go on record with so many of the others to try to see a higher than 5 percent increase in the social security benefits and likewise we certainly look forward to, hopefully, anyhow, to the enactment of the automatic increase along with the cost-of-living rise.

Several things we said in regard to the medicare-medicaid but one thing, there is a certain amount of lowering of standards that is reflected in there such as the elimination of the requirement for social services, and the facilities, and around the clock nursing care, and certainly if any thing like these should be examined very, very carefully and certain safeguards presented.

We likewise, with regard to the adult categories, are very favorably impressed with the approach there to make them consolidated, one type of program with adequate income and with Federal administration. We think it is a very good step forward.

With regard to the totality of the welfare side of things, there are so many things that seem to get mixed together in all of this, and one of the things that is so necessary is the determination of who should receive aid, and right away, I think, everybody would agree that those who are needy should receive it, and this, we believe, should be the first and basic criterion, whether the families or individuals, childless couples, the employable, the nonemployable, if they are in need.

The problem seems to come when we try to say who should not receive it. Should we say that mothers of children between 3 and 6, mothers of school age children, those who can work, whether they can find work or not? It gets pretty complicated but, once again, I think that we need to make sure that we have a program that provides a financial assistance for those who have need of that, and have no

place else to turn to get it, and those who should not be given it certainly we would not agree that mothers of preschool children should be excluded.

If Senator Talmadge were here I would like to speak very favorably of his amendment that eliminated the mothers of preschool children for having to register for work.

The other question is the one about determination of how much they should receive, and I think that here we talk about the level of assistance and it seems inconceivable to me, very frankly, that we can say to people "You have to live below the poverty line" because when we talk about the poverty line we are not talking about any lavish living, and something below that is really a level of almost degradation, and I think, as a matter of public policy, to say "You have to live in that manner" is something that we as a country, for all posterity, will stand indicted for that if we say that.

Another thing that is said at the same time if we say they must live at some meager standard, and I would say something I should have said at the beginning, our organization has a multitude, as you know, of Catholic charities agencies and institutions across the country, some 530 agencies, as such, in practically every State in the Union. You are saying that if we do not provide enough money for these people, then we are the ones who are going to have to pick up the slack, and this is pretty much what we try to do. But we don't enough money to do it.

We took a little survey not so long ago, 2 or 3 years ago, this was and I think we were providing $7 or $8 million for food and clothing for people who did not have enough, and this is constantly increasing.

So it is a question of where the money is going to come from, and if it does not come from the public assistance, financial assistance program, then it is going to have to come from someplace, and in effect you are saying to us "You people find the money to help these people who are starving."

The other thing that we would, I would want to refer to, is the administration of the program, and even though there is a good deal of discussion whether it should be Federal or State all I would relay to you is that I don't know of any one of our people throughout the country, and we have very close association with and working with the welfare people and welfare, that is recipients and the social service agencies, and so forth, that do not say it should be a federally administered, Federal standard program.

Then if I can get in before my time runs out, I would also want to point out, I think, that we need an employment program, an employment system, manpower training, employment services, and jobs. I don't think there should be considered a welfare program. We need for the good of the country, for the good of the economy. Our economy never has been able to provide enough jobs for everybody. We have 4 to 6 percent unemployment all the time. So we need an employment system, we need a social services system to help people fill their potentials, and we need a financial assistance system. These have to be integrated very much, but I think that if we could try to conceive an employment system that would not be thought of as a welfare system as such, I think then we could deal with the welfare problems a little better.

There probably are some other things. I think we have always advocated the working together of the public and the private sectors in this whole welfare problem, and we still advocate that. We certainly will cooperate in every way that we can, and vice versa, we look for and always have had tremendous cooperation in a variety of ways with the welfare system in this country.

So thank you very much. These are some summarizing types of comments to what I have submitted for the record.

The CHAIRMAN. Thank you very much, Rev. Corcoran.

(The prepared statement of Rev. Msgr. Corcoran follows:)

PREPARED STATEMENT OF REV. MSGR. LAWRENCE J. CORCORAN, SECRETARY, NATIONAL CONFERENCE OF CATHOLIC CHARITIES

I am Msgr. Lawrence J. Corcoran, Secretary of the National Conference of Catholic Charities. I appreciate the opportunity to present our views on some of the key issues involved in any consideration of the Social Security program and Welfare Reform. We address ourselves particularly to the measure that has passed the House of Representatives and now is before this Committee on Finance of the United States Senate, designated as H.R. 1.

This bill is a complex one, reflecting the complexities of the important questions with which it deals. The statement which I am now presentnig will touch on some basic Social Security matters and the proposals of H.R. 1 for the Medicare-Medicaid provisions, before coming to the welfare program as such, to which we wish to direct the majority of our remarks.

I. SOCIAL SECURITY

We would like to see a larger increase in Social Security benefits, especially for those receiving the minimum amount. A 5% increase is not sufficient to keep pace with the rise in inflation. The increase from $70.40 to $74.00 in the minimum payment is not sufficient help to those who must look to this as their primary source of income. We would like to see at least a 10% increase.

To finance this, we would suggest that the schedule for contributions contained in present law continue rather than be reduced, as proposed in H.R. 1. At the same time the contribution and benefit base increase reflected in H.R. 1 might well be put into effect.

It is heartening to see the provision in H.R. 1 that henceforth the Social Security benefits be automatically increased in accord with the rise in the cost of living (except when Congress had independently provided increases). This is a wise provision and should be retained. We also urge final enactment of the more liberal retirement test whereby a Social Security beneficiary could earn $2,000.00 without suffering a decrease in benefits, and whereby benefits on earnings about that amount would only be decreased 50%.

II. MEDICARE-MEDICAID

Medicare and Medicaid have enabled many persons to receive needed medical attention. For many, these are the only medical resources and therefore the provisions relating to them need to be strengthened.

The extension of medical coverage to include the disabled after two years disability is very laudable and we support this.

However, the increase of Part B deductible from $50.00 to $60.00 would, in our opinion, be an added burden to those families already affected by the high cost of medical care. This would also be the case if coinsurance for hospital stays from the 31st to the 60th day is imposed.

While cost sharing under Medicaid does appear to have some merit, the question of its being a deterrent to obtaining medical care is a matter of concern. It is very possible that persons who should be receiving such care will not do so if a premium is required of those considered medically indigent. This same deterrent to care could also develop if those eligible for cash assistance are taxed through a deductible process. Medical care is usually not obtained as often as is necessary when income levels are low, so that these provisions raise the fear that needed medical attention will not be sought.

We are opposed to limiting federal participation under Medicaid for skilled nursing homes and extended care facilities at 105% of the previous quarter's payments, especially in view of efforts to upgrade services and facilities. The net reduction of costs would not justify the necessary reduction in the quality of service provided.

We also have some question about the provision granting authority to the Secretary of Health, Education and Welfare to compute a reasonable cost differential between the cost of skilled nursing home services and the cost of intermediate care facilities as a disincentive to prolonged stays. It is important to remember that it may be significantly costly to maintain a person on an ambulatory level in an intermediate care facility. This cost may be comparable to that of a skilled nursing home. We would favor very strongly the inclusion of optional coverage of intermediate care facilities under Medicaid. We see the need for intermediate care facilities but recognize that it can be costly.

We agree that advance approval for the use of extended care facilities and home health services would be a good idea. This could eliminate retroactive denials which have created so many problems.

We oppose very strongly the removal of the requirements for social services in extended care facilities. Social components of care need to be stressed, not denied. We would also question the permanent waiver for a nursing home administrator. This would tend to weaken the licensure regulations already promulgated.

III. Public Welfare Program

A. Adult Categories

We readily support the formation of a single program for the needy aged, blind and disabled to replace the presently existing three categorical programs. The needs of these persons are relatively stable, readily identifiable and likely to continue. Even more, the causes of their indigency are easily recognized and understood by others, and therefore their need is more readily accepted. These needs can be met by a single simple program which minimizes administrative complexities. The basic questions have to do with determination of eligbility, equality of treatment throughout the country and the delivery of financial assistance to recipients.

This rightly should be a Federal program, therefore, as proposed by H.R. 1. The administration of it by the Social Security Administration should provide the same efficiency as marks the operation of the OASDI program. These improvements are welcome. We are particularly pleased to note that assistance is not calculated in a person's income. Some organizations assist needy individuals on occasion, and it is disheartening to have this aid subtracted from the person's meager welfare grant.

B. Family Programs

The concept of the repeal of the present Aid to Families with Dependent Children program, and the substitutionof a new plan "to prevent the collapse of a basic function of government, assisting its poorer citizens to a better life" (Re port of the House Ways and Means Committee on H.R. 1) is a valid one. The new plan is to erect two new structures: the Opportunities for Families program and the Family Assistance Plan. While these new programs have many good provisions, they also, as now proposed, manifest some very definite deficiencies which can and should be corrected.

An overall deficiency is the discrimination in these programs against individuals and childless couples. The needs of these persons can be as pressing and distresssing as those of families with children. The benefits of the Opportunities for Families program and the Family Assistance Plan should be extended to individuals and childless couples.

1. Opportunities for Families:

The Opportunities for Families program provides a system of manpower services, training and employment for those applicants for public financial assistance whom the Secretary of Health, Education and Welfare find to be available for employment. Immediately one is led to question why this should simply be a part of a welfare system. If it has value, and indeed it should have, it should be helpful to many persons other than those applying for welfare assistance. In this country we never have achieved zero unemployment. "Full employment" is calculated at 4% unemployment rate, and presently this index stands at 6%. In addition, the fluctuation of need for work skills in a society

subject to strong technological change creates a special place for training and retraining programs. Thus there always will be employable individuals actively seeking employment or standing in need of work training.

In view of this situation, there should be an extensive well-balanced and highly proficient system of manpower services, training and employment opportunities for *all* employable persons who are unemployed, underemployed, or in need of training. It should not be a part of the welfare program but be an integral part of our total economic system. Applicants for, or recipients of public family assistance could be referred to this program if employable. It could be used by others, however, and therefore should be available to all citizens.

This employment system, including the provision of public service employment, should become a system in its own right, along with the educational system, the health system, and other programs contributing to individual and social development, and providing opportunities for a fuller and more human existence.

In this type of system, manpower services as such (e.g., those described in Section 2114(b) (2) and (3) of H.R. 1) should be developed and operated under the Secretary of Labor. Child care and other supportive services (e.g., those described in Section 112 of H.R. 1) should be the responsibility of the Department of Health, Education and Welfare and not duplicated in the Department of Labor. Persons enrolled in the employment system should be referred to these services when in need of them. Not all of them should be operated even by the Secretary of Health, Education and Welfare, but use should be made of existing facilities and programs, both public and private non-profit ones. This can be done under the direction of the Secretary of Health, Education and Welfare, and through him on a contractual or purchase of service basis. This would retain the valuable public-private partnership which exists in the field of social welfare.

Whatever the particular character of a manpower program, it is essential that jobs be provided. It is useless to provide work training for people if there is no work for them upon completion of training. Others, not in need of training, do have need of jobs. The public service employment program described in Section 2114 of H.R. 1 gives promise of filling the need which we recognize and should be enacted. It should receive greater funding allocation than provided therein. The manpower services, training and supportive services should be allocated $1 billion, and the public service employment program at least an equal amount.

We take strong exception to the provisions in H.R. 1 that mothers of children under three years of age should be classified as available for work. All mothers of pre-school children should be exempted from this classification.

2. Family Assistance Plan:

The Family Assistance Plan actually has two basic components: a financial assistance program and a service program. In H.R. 1 there is what has been described as a "single payments system," yet both the Secretary of Labor and the Secretary of Health, Education and Welfare are designated as being involved in the determination of benefits and the payment of benefits. There should be a single payments system, lodged with the Secretary of Health, Education and Welfare, and drawing heavily upon the experience of the Social Security Administration. Part of this system should be the acceptance and screening of applications for cash assistance, determination of eligibility based on need, determination of services needed (e.g., health, employment, social services, etc.) and referral to appropriate providers of service. The basic concept is that there be an identifiable, available resource to which persons can apply who are truly in need of public financial assistance. The cause or causes of this need can be manifold (health, unemployment, lack of education, etc.) and provision should be made to address these causes. This effort, however, requires a different program, not to be confused with the provision of financial assistance and the kind of a program necessary to provide that assistance.

We heartily agree that the Family Assistance Plan should be a Federal one. There should be Federal standards and Federal administration—to assure a basic equality throughout the country, as well as remove a huge burden from the States.

The benefit level of the financial assistance program should be higher than that provided in H.R. 1. The minimum floor of assistance should be the poverty level. It is completely unacceptable in a civilized society to condemn an individual or a family to the kind of existence that must be endured if their income is below the poverty level. We cannot justify our action if, acknowledging that a person is legitimately in need, we then say that he must live a life that is less than

human. This provision of H.R. 1 must be changed to make it conform to the value we claim to place on human life.

If the Federal basic floor of financial assistance is placed at an acceptable level (the poverty level or above), then State supplementation should be mandatory to assure that needy individuals and families would receive an adequate grant, one which would lift them above the poverty level. There should be Federal administration of any such State supplementation.

Likewise, the exclusion of families eligible for benefits under the assistance programs from participation in the food stamp program is unrealistic if the benefit grants are placed at the low level of H.R. 1 provsions. If they are raised to the poverty level, as they should be, then exclusion of these families would be understandable. Until that point is reached, however, these families should be eligible for food stamps.

The type of work incentive incorporated in the provisions of H.R. 1 is strongly recommended, whereby a person can retain the first $720.00 per year of regularly earned income, plus one-third of the remainder. The other income exclusions contained in H.R. 1 should be a part of any Family Assistance Plan. We especially note here once again, the assistance based on need provided by public or private non-profit agencies is excluded from income, a provision which we support. The idea of a cash advance of $100.00 in emergency situations is a helpful provision also.

The other component of the Family Assistance Program has to do with services. These, too, can and should be manifold: child care, family counselling, vocational rehabilitation, foster care, day care, and other services. These services should be calculated to enable families and individuals to function as fully human persons to the extent of their capabilities. It should be a flexible system which is organized by the Secretary of Health, Education and Welfare, using existing facilities and programs, and relying on the resources of both the public and private non-profit sectors.

In H.R. 1, the range of services provided is very broad, which is necessary considering the multiple needs of individuals which the program must seek to alleviate. In addition to services as such, there are other provisions in this bill that are greatly needed, such as allocations for the construction and renovation of child care facilities. This is particularly applicable to day care facilities. For the success of any employment program, an increased number of day care units is needed. These will not be forthcoming unless there is assistance for construction or renovation of facilities.

There is a definite provision in H.R. 1 for administrative separation of the determination of eligibility for financial assistance and the provision of social services. We support this. It can be or lead to the clearly distinct programs of cash assistance and service, which we have mentioned above.

Finally, we wish to support the provision of local advisory committees to help evaluate the programs aimed at making persons self-supporting. This type of citizen participation should be advocated strongly, more strongly than in H.R. 1. It keeps the programs closer to the people and develops an interested group who can interpret the program broadly among the population.

IV. CONCLUSION

I repeat our appreciation for the opportunity to appear before this distinguished Committee on Finance. We respect the important work which you and the other members are doing to provide assistance for the needy and justice for the poor. Much of the hope of the disadvantaged is in your hands. You have the power to enhance the human condition and to provide the type of structures in our nation which will not destroy human dignity but enable it to reach its full structure. Basically, yours is not a work of providing largess, but of assuring justice and the fulfillment of human rights. This is the objective of welfare reform. We applaud your efforts to achieve it, and pledge our own cooperation to achieve this goal.

The CHAIRMAN. The next witness will be Mrs. Donald Brown, national board member of the National Council of Jewish Women, accompanied by Mrs. Bernard Koteen, chairman of the day care committee.

STATEMENT OF MRS. DONALD BROWN, NATIONAL BOARD MEMBER, NATIONAL COUNCIL OF JEWISH WOMEN, ACCOMPANIED BY MRS. BERNARD KOTEEN, CHAIRMAN, DAY CARE COMMITTEE

Mrs. BROWN. Thank you, Mr. Chairman. I am Mrs. Brown and this is Mrs. Koteen on my right.

We appreciate the opportunity of expressing our views on this issue, particularly since our organization for many years since its inception has been concerned with the problems of poverty, and we are committed to our resolutions to work for a program of income maintenance and supportive services which uphold the rights and dignities of recipients and provides at least a minimum national standard of living for every individual.

We agree in principle with the basic goals of H.R. 1, and of the Ribicoff amendment but we have serious reservations about both, particularly about H.R. 1, and the bulk of our testimony, of the first part of our testimony, is devoted to these particular concerns and to our ultimate recommendations.

I will not read these recommendations since they are in the text, and since they have been enunciated by many of the witnesses today. But I will indicate they deal with the payment levels, the State supplementation, fiscal relief, work incentives, eligibility, and administration.

I will devote most of this to the child care services, if I may, because it is an area in which we have particular expertise.

The development of child care services has been of prime concern to our organization for many years. At least 130 of our sections across the country are presently providing day care services or conducting other programs to help to meet day care needs.

Presently, the National Council of Jewish Women is about to publish the results of a national survey on day care in a book which will be entitled "Windows on Day Care." This survey is being directed by Mary Dublin Keyserling, who is the former Director of the Women's Bureau of the U.S. Department of Labor.

We embarked upon this study to help tell the story of day care needs and how they are being met in a large number of representative American communities. Our volunteers conducted many hundreds of interviews with mothers, day care leaders and officials, and providers of day services. We visited family and group day care homes and centers caring for a large and representative sample of all children now enrolled in such facilities. Everywhere survey participants found mounting concern with what can only be called a day care crisis.

All sections reported on their many interviews, and they found in the majority of the cases a number of mothers working alone, living on public assistance and who wished to work and who wished to have training but were thwarted in this ambition because they were unable to obtain satisfactory child care.

In vetoing the Child Care and Development Act of 1971, President Nixon stated that: "* * * neither the immediate need nor the desirability of a national child development program of this character has been demonstrated."

Quite to the contrary, our national survey indicates that the need is overwhelming in all parts of the country and is not being met.

We have cited, and I will not read every one of these examples, a number of cities which we have taken out of our survey. Albany, Atlanta, Chicago, Los Angeles, Cleveland, Pittsburgh, and Sacramento, and in each one of these particular cases lifted from the survey, I can conclude that no more than 10 percent and in most cases less than 10 percent of the needs are being serviced by existing day care services, child care services.

I can give you, I will give you, as an example just Albany, which says:

> According to a report of the Day Care Study Committee, appointed by the mayor, "Over 4,000 children under the age of 6 whose mothers work are in need of day care. There were full day care facilities available for only 300."

This story is repeated in most of the cities in the country, which we covered in our survey.

The National Council of Jewish Women feels very strongly that public funds should not be allocated to profitmaking vendors of day care services. Our survey investigators found that the standards in a large percentage of the proprietary centers are extremely poor. Personnel, by and large, is not professionally trained. Parental participation is at a minimum. Some centers actually discriminate against minority children. At the same time, fees charged in proprietary centers are, on the average, higher than those charged in nonprofit centers.

As to day care homes, it is estimated that in the Nation as a whole, as many as 2 million children are cared for in the homes of relatives, neighbors, and others while their mothers are away at work. Fewer than 5 percent of these homes are licensed or supervised. More than half of the homes investigated by our investigators were purely custodial in nature, and an additional 10 percent were abominable. It was some of these homes which provided the worst horror stories encountered, and we cite in the bulk of our testimony one of these horror studies for your edification.

I am only giving you a thumbnail sketch of the many important things we found in our inquiry. However, our report will be in print very soon and does tell the story in detail, and we shall be happy to submit a copy for the committee's information as soon as it is available.

The data that were produced by our survey indicates that quality day care, which can help children to develop to their full potential, is not too frequently encountered, and vigorous action at the national, State, and local levels on behalf of children must be undertaken. Legislation to provide care for children must include:

1. Well-defined standards not lower than those of the interagency requirements of 1968.
2. Parental involvement in development of programs.
3. Opportunities for socioeconomic mix among enrollees in day care facilities.
4. Funds for training of child care personnel.
5. Funds for construction of facilities.
6. Allocation of funds to public and private nonprofit agencies only.
7. Full subsidization of quality care for children of low-income families, and partial subsidization, on a sliding scale, for children whose

families are above the poverty level, but not able to afford the full costs of care.

We urge your committee to consider these recommendations very seriously in the day care, in the child services, area of the welfare bill, and to consider the welfare reform recommendations which we have included in the rest of our testimony. We sincerely hope that our Government will persist in its commitments to assist the disadvantaged, while simultaneously intensifying its efforts to eliminate the root causes of poverty. Thank you.

The CHAIRMAN. Thank you very much.

Mrs. BROWN. I would like to mention that attached to our testimony is a topical statement on welfare reform, which was put out by the executive committee of the National Council of Jewish Women when they met in executive session in New York on the 17th of January of this year, and it was for the attention of the Congress concerning welfare reform.

The CHAIRMAN. Thank you very much, Mrs. Brown and Mrs. Koteen.

Senator BENNETT. Mr. Chairman, I am very interested in the comment of the witness about the variety of investment in services that her group visualizes should be required to provide adequate day care, and I suggest that our staff see whether information is available as to the total cost, not only for investment but for operating, to provide day care services to all the children of working mothers. I think it would make the $120 billion cost of the high level proposals; I think it would scare that one.

I don't mean that, of course, it is not going to cost $120 billion, but I think if we are going to have top level day care centers built in sufficient number to take care of all of the children of working mothers, we will find an investment the Federal Government just can't carry.

Mrs. KOTEEN. May I comment on that, Senator. We feel very strongly that the first priority in any Federal program must go to the children of the poor in this country, and we don't anticipate that in the immediately foreseeable future we are going to be able to provide good child care service for every child of every working mother, nor do we believe that that will be necessary, and we do believe that women who work are capable to a greater or lesser degree of supplying the funds necessary for their own children's care. But we do know that there are today 2½ million children of poor women who are not even part of the working force. We know there is legislation now to try to get them trained and into jobs, and we know we are going to have to supply some care for them.

We would hope that this care, if we are taking the responsibility of saying that the Government is going to supply care, we would very much hope that this care would be more than the custodial care that we have seen, and worse.

The CHAIRMAN. I do not want to prolong this, but I do want your reaction.

What is the most we have been able to spend a year on day care for the work incentive program? We have provided more money than we could get anybody to spend effectively for day care up to now. The most we could prevail upon somebody to spend in a day care program was $29 million in the highest year. We have provided a

lot more than that in terms of appropriations. The difficulty is some people get so ambitious about the matter and that they have to have such elaborate proposals and they won't settle for anything less, with the result that we wind up with zero. Incidentally, the same thing is true of this bill.

Here are all these good things in this that passed the Senate unanimously more than a year ago, and we are still fighting about it because one item, nothing can happen unless someone gets his way on that. And then here we have the day care matter where we have some of our friends who oppose what we put in, we want to establish a corporation to concentrate on day care, and get something moving with some good people to consolidate the efforts. What is your reaction to this thing? Do you really think you must necessarily get to heaven the first leap, or are you willing to make a few strides at it?

Mrs. KOTEEN. No, sir. Our proposals will indicate that we certainly expect this to be a gradual process. We couldn't possibly, we couldn't spend $2 billion, we could not spend $4 billion or $40 billion very quickly in any sense of the world.

We do hope that the money that is, that will be, appropriated will go toward, will go in the area, in the direction of centers rather than homes, day care by neighbors.

The problem has been with so many of these women we found, the ones we have talked to, the ones who want to go to work, they know that there is a little money available to pay for day care, but they simply cannot find it. They just can't find it where they need it and at the hours they need it. These women work summers and they work holidays and they work nights, and they haven't been able to find it, and we hope it will go in the direction of providing more centers; center care is the thing.

Mrs. BROWN. May I add something from a general point of view, because I am not the day care expert on this as Mrs. Koteen very obviously is, but a broader one.

My feelings would be in terms of money. As you say, whatever money and however gradually it is put into the philosophy of day care services for working mothers, that as you are establishing national policy in the day care field, and in the child care development field, that you would want to establish it with a set of standards which will be worked up from, which will be an example to work up from, rather than because of lack of money policy having more inefficient or custodial or, you know, home-type services day care.

The CHAIRMAN. The difficulty is that the standards are the reason the money can't be spent the way it is now. These cities have building code standards so high that standards that were used to construct this office building by wouldn't be adequate, and then in first one respect and another, people require so much that they wind up with zero, and that seems to me sort of a ridiculous way to do it. You ought to get the best you can and then move on from there, I would think.

But we will provide a lot more money, you can count on that. I just hope that you find some way to get it spent.

Thank you very much, ladies.

(Statement of National Council of Jewish Women, Inc., presented by Mrs. Donald Brown, member of the national board, follows:)

STATEMENT OF NATIONAL COUNCIL OF JEWISH WOMEN, INC., PRESENTED BY MRS. DONALD BROWN, MEMBER OF THE NATIONAL BOARD

My name is Doreen Brown. I am a member of the National Board of the National Council of Jewish Women, an organization established in 1893 and with a membership of over 100,000 in local sections throughout the United States. Since its inception, the Council has been concerned with eliminating the barriers to a healthy society created by poverty, and has often reiterated its philosophy that our democratic society must give priority to programs which meet the economic, social and physical needs of all the people. Our membership has reinforced its commitment by endorsing the following resolution: "To work for a program of income maintenance and supportive services which upholds the rights and dignity of recipients and provides at least the minimum national standard of living for every individual."

For these reasons, we appreciate the opportunity to express our views on the Social Security Amendments of 1971 as embodied in HR 1 and in the proposals recently introduced in the Senate by Senator Ribicoff and others, known as Amendment No. 559.

There is no need for us to restate, at this time, the case for the need for reforms in the existing welfare program. However, we would like to emphasize the immediacy of this need and express our hope that both consideration and implementation of this legislation will be given the highest priority by the Congress.

The National Council of Jewish Women agrees in principle with the basic goals of HR 1 and the Ribicoff amendments. In both cases, there are some aspects which are an admitted improvement over the Family Assistance Act of 1970 (HR 16311). However, we have serious reservations about certain specifics of HR 1 particularly. I will limit my comments to these particular concerns and include our organization's alternate recommendations.

A. PAYMENT LEVEL

1. HR 1 provides for a permanent federal payment level of $2400 for a family of four. Senator Ribicoff proposes an initial payment level of $3,000 with yearly increases, so that no recipient would receive less than the poverty level by 1976. This level would be adjusted for rises in the cost of living. We would recommend that this initial federal payment be raised to the officially established poverty level, with increments relevant to cost of living changes.

Recently, we subscribed to a joint statement sponsored by a group of organizations concerned with welfare reform, which states that the minimum Federal payment for a family of four should be $3,900. However, we would further recommend that the Federal payment standard be increased by 10% yearly until the level of $4,800 is reached. The bill should call for periodic revision of the poverty definition thereafter in the light of subsequent price rises and general income advances. We suggest the $4,800 figure because it conforms to a more realistic definition of poverty for a family of four, with all necessary adjustments.

2. The Ribicoff proposal guarantees that no beneficiary would receive less than he or she is now receiving, while HR 1 offers no such protection, since it contains no requirement for the states to maintain present efforts. We agree, in this instance, with Senator Ribicoff and urge that the bill require the states to continue their payments, so that combined Federal-State assistance would not be lower than present state benefit levels when the Act becomes effective.

B. STATE SUPPLEMENTATION

HR 1 does not have any requirements or incentives for the states to maintain their current cash payments or add the cash value of food stamps. Supplementation would be optional and there is a distinct possibility that supplementation would be reduced. Several states have already done so. The Ribicoff amendment requires that states whose welfare payment plus food stamp benefits presently exceed the income levels set by the bill must make supplemental payments. The Federal government would pay 30% of these supplements. This latter proposal is in line with the National Council of Jewish Women's position in support of a variable formula for Federal matching of state supplements and the requirement that all states attain a specified minimum level of supplementation until Federal assumption of full responsibility.

C. STATE FISCAL RELIEF

HR 1 offers the states the option, through the "hold harmless" clause, for Federal administration of state supplementation and absorption of the cost involved by the Federal government. The Ribicoff proposal goes further and recommends that over the next five years no state would pay more than its calendar 1971 public assistance costs. Thus by 1976, the welfare program would be fully federalized. Both approaches are a step forward in increasing the role of the Federal government. We are in favor of this as, for several years, we have advocated a complete Federalizing of the Welfare Program with uniform standards.

D. WORK INCENTIVES

1. We are grealty concerned that Congress in the last session adopted the mandatory work requirement provisions of HR 1. We urge your Committee to repeal these provisions because we believe that such a requirement is not necessary for either men or women. Evidence has shown that most women welfare recipients would take employment voluntarily rather than stay at home, were jobs and child care facilities available. Furthermore, a recent HEW Public Assistance census indicates that fewer than 50,000 employable men were on the welfare rolls at the time of the census. We believe that no recipient should undergo training unless suitable child care and a suitable job following training were available.

2. The Ribicoff amendments provide for the creation of at least 300,000 public service jobs as opposed to 200,000 provided by HR 1. Our organization supports the concept of job creation programs, and we have recommended that the Federal Government should provide public programs to assure employment through the provision of critically short education, health, recreation, and other essential community facilities and services.

3. We strongly object to the provisions that recipients would be obliged to accept jobs at wages as low as three quarters of the federal minimum wage, and we support a provision that all job referrals would have to be at the prevailing wage rate but in no case lower than the federal minimum wage. It is our opinion that no federal legislation should encourage, and certainly not mandate, working at starvation wages.

E. ELIGIBILITY AND ADMINISTRATION

1. In general we prefer the Ribicoff provisions for eligibility to those embodied in HR 1. We are particularly concerned with the HR 1 clause which would allow the states to retain residency requirements. The National Council of Jewish Women has advocated the elimination of this requirement for quite some time and strongly supports the Supreme Court decision which declared this requirement unconstitutional. We participated in organizing a campaign in support of an action by HEW to use the simple declaratory method for determining eligibility, in keeping with our resolution that the rights and dignity of welfare recipients must be upheld. We would urge the use of this method in the reformed welfare program.

2. The Ribicoff amendments would extend coverage to childless couples and single persons, two groups deemed ineligible for welfare in HR 1. The National Council of Jewish Women would support this extension of coverage, as we believe that an income floor is a universal need and should be extended to all poor now excluded in HR 1.

Child Care Services

The development of child care services has been of prime concern to our organization for many years. At least 130 of our Sections across the country are presently providing day care services or conducting other programs to help to meet day care needs. Now the National Council of Jewish Women is about to publish the results of our national survey on day care in a book entitled "Widows on Day Care".

We embarked upon the national study to help tell the story of day care needs and how they are being met in a large number of representative American communities. Our volunteers conducted many hundreds of interviews with mothers, day care-leaders and officials, and providers of day services. We visited family

and group day care homes and centers caring for a large and representative sample of all children now enrolled in such facilities. Everywhere survey participants found concern with what can only be called a day care crisis. All Sections told of mothers who had to work to support their families to improve family income but who worried all day long about what was happening to their children.

Most of our local sections reported talks with mothers alone, living on public assistance and yearning for work or training, but thwarted in this ambition because they were unable to obtain satisfactory child care.

Need for Services

In vetoing the Child Care and Development Act of 1971 President Nixon stated that: ". . . neither the immediate need nor the desirability of a national child development program of this characters has been demonstrated."

Our survey indicates that the need is overwhelming in all parts of the country. Let us cite just a few excerpts from the reports of our survey investigators:

Albany.—According to a report of the Day Care Study Committee, appointed by the Mayor, "over four thousands children under the age of six whose mothers work are in need of day care. There were full day care facilities available for only three hundred.

Atlanta.—"Only about ten percent of the city's poverty children are being provided day care."

Chicago.—"A Health and Welfare Council survey found that seven hundred children less than six years of age were without day-time supervision while their mothers worked; fifteen thousand latchkey children aged six to thirteen were on their own, desperately in need of after school care. In one community there is room in existing facilities for a mere sixty-two children . . . there is need for day care services for three thousand. . . ."

Los Angeles.—"Head start day care is meeting less than ten percent of the need for this specific service, based on community identified needs . . . all day care centers have fantastic waiting lists."

Cleveland.—A day care planning consultant to the Welfare Federation estimated that only ten percent of the need for day care was being met: "It's like looking at the top of an iceberg."

Pittsburgh.—A director of the Work Incentive Training Program (WIN) for the county, told Council interviewers that 202 women with 258 children under six could not be placed in the WIN program because they couldn't find adequate day care facilities . . . and said a mother who chaired a parents' committee of a Community Action program center caring for children of mothers in job training: "Day care is all that these WIN mothers have going for them. Without it, they'd be up the river. Now that they are finally independent, they don't want to go back on welfare. I only wish that there were more day care facilities."

Sacramento.—"Licensed homes and centers are serving less than ten percent of total community needs."

Public funds to profit-making vendors of services

The National Council of Jewish Women feels very strongly that public funds should not be allocated to profit-making vendors of day care services. Our survey investigators found that the standards in a large percentage of the proprietary centers are extremely poor. Personnel, by and large is not professionally trained. Parental participation is at a minimum. Some centers actually discriminate against minority children. At the same time fees charged in proprietary centers are, on the average, higher than those charged in non-profit centers.

A survey participant commented on a proprietary center she had visited in which 35 children were enrolled. At the time of her visit two children, aged 10 and 12, were in charge, with no adult in sight. Said the Council member: "This center should be closed. Absolutely filthy. Toilets not flushed and smelly. Broken equipment and doors. Broken windows, broken chairs and tables. No indoor play equipment. One paper towel used to wipe the faces and hands of all children. Kitchen very, very dirty." . . . And for this, the typical fee was $25.00 a week, with some families paying as much as $45.00.

According to our Survey report, the non-profit centers presented, on the whole, a more encouraging picture. A large majority of non-profit programs charged a flat fee of $14.00 a week. A few scaled their fees from nominal amounts upward, according to the income of parents.

Qualifications of directors of non-profit centers were far higher than those who headed centers under proprietary auspices. Salaries paid were far better in non-profit than proprietary centers, both for professional personnel and aides.

Day care homes

It is estimated that in the nation as a whole as many as 2 million children are cared for in the homes of relatives, neighbors and others while their mothers are away at work. Fewer than five percent of these homes are licensed or supervised. Council members visited many homes. At best they occasionally offer care equal to that available in superior centers, but more than half visited were purely custodial in nature, and an additional ten percent were abominable. It was some of these homes which provided the worst horror stories encountered.

Let me cite one description taken from a Section report:

"When Mrs. —— opened the door for us, we felt there were probably very few, if any, children in the house, because of the quiet. It was quite a shock, therefore, to discover about seven or eight children, one year old or under, in the kitchen; a few of them were in high-chairs, but most were strapped to kitchen chairs, all seemingly in a stupor.

"It wasn't until we were in the kitchen that we heard the noise coming from the basement. There we found over twenty children huddled in a too-small, poorly ventilated, cement floor area. A TV with an apparently bad picture tube was their only source of entertainment or stimulation.

"When we went to look at the back yard, we passed through a porch, where we discovered, again, children and more children. The children were literally under our feet. Pathetically enough, it was necessary for Mrs. —— to reprimand one child for stepping on another.

"Mrs. —— takes care of two mailies—six children—whom the Bureau of Children's Services subsidizes. The other children (41, for a total of 47 children) she takes care of independently, receiving two dollars per day per child. She told us that she has been doing this for twenty years and seemed quite proud to be able to manage as well alone, with no help."

In the brief period I have today I can give you only a thumbnail sketch of a very few of the many very important things we found out through our inquiry. Our report which will soon be in print will tell the story in detail. We shall be happy to submit a copy for the Committee's information.

Recommendations

The data produced by our survey indicates that quality day care, which can help children to develop to their full potential, is not too frequently encountered, and vigorous action at the national, state and local levels on behalf of children must be undertaken. Legislation to provide care for children must include:

1. Well defined standards not lower than those of the Inter-Agency requirements of 1968.
2. Parental involvement in development of programs.
3. Opportunities for socio-economic mix among enrollees in day care facilities.
4. Funds for training of child care personnel.
5. Funds for construction of facilities.
6. Allocation of funds to public and private non-profit agencies only.
7. Full subsidization of quality care for children of low income families and partial subsidization, on a sliding scale, for children whose families are above the poverty level, but not able to afford the full costs of care.

I have not commented on all of the provisions of HR 1 and the Ribicoff amendments but have referred only to the ones in which we felt there were the most serious deficiencies. We urge your Committee to correct some of the most glaring injustices and weaknesses embodied in the present program. We sincerely hope that our government will persist in its commitment to assist the disadvantaged, while, simultaneously, intensifying its efforts to eliminate the root causes of poverty.

Thank you for the opportunity of appearing before you.

NATIONAL COUNCIL OF JEWISH WOMEN, INC.,
New York, N.Y., January 17, 1972.

TOPICAL STATEMENT—WELFARE REFORM

The National Council of Jewish Women calls upon the Congress to make its first item of business in the next session adoption of a genuine welfare system which will allow this nation to meet its responsibility to the poor.

The National Council of Jewish Women deplores the delay in bringing order out of the chaos of the American welfare system. The legislation recently adopted by Congress mandates compulsory work and training provisions for welfare recipients, without dealing with any of the desperately needed reforms of the system.

The National Council of Jewish Women believes that a responsible society must develop means of helping its people to desire and to achieve a life of dignity.

These are the essentials of a program to meet such objectives:

1. Federalization of the program as quickly as transfer of administration from the states can be accomplished.
2. Uniform national standards of eligibility.
3. Coverage to all of the poor, including childless couples and single persons.
4. Income maintenance benefits at no less than the officially established poverty level.
5. A work incentive program which would motivate but not compel enrollment for training and employment and which would provide appropriate job opportunities at no less than the Federal minimum wage upon completion of training.
6. Creation of public service jobs to provide needed employment.
7. Comprehensive quality care available to the children of all working mothers.
8. Protection and respect for the rights and dignity of welfare recipients.

Each day's delay in adopting these reforms exacts a toll of our nation's disadvantaged and of our total society that cannot be measured. We urge the Congress to act now.

The CHAIRMAN. All right. Now the next witness will be Mr. John J. Keppler, vice president of the Federation of Protestant Welfare Agencies.

STATEMENT OF JOHN J. KEPPLER, EXECUTIVE VICE PRESIDENT, FEDERATION OF PROTESTANT WELFARE AGENCIES OF NEW YORK, ACCOMPANIED BY SAMUEL FELDER, CONSULTANT

Mr. KEPPLER. Mr. Chairman, I would like to have your permission to have Mr. Samuel Felder accompany me. Mr. Felder is our public social policy consultant in the federation, formerly counsel to the New York City Department of Welfare, where I was first deputy commissioner 4 years. The two of us have, jointly between us have, about 50 years of service in public welfare administration and we will be glad to respond to any questions you may have.

You have our statement. I will be brief. The statement itself is brief.

We wrestled all last spring and summer and fall with H.R. 1, and finally came out with the belief and with the position similar to the one you just enunciated. We could live with many of the provisions of this bill, and so our federation, representing its 280 member agencies in the Greater New York area, strongly urges the enactment of the basic innovative and desirable features of H.R. 1.

The bill has many serious deficiencies, ones which we find difficult to live with. On the other hand, it has many strengths, many advantages, and these we look upon with favor, and we urge their adoption.

We think that if the bill is adopted, that the Ribicoff amendments would go far to alleviate some of the deficiencies.

We listened this morning with much interest to the discussion, and particularly to the discussion, about the pilot program which we did not, of course, discuss back in the federation, but we would want you to know that Mr. Felder and I, speaking for ourselves, would urge this upon you. It does present some problems depending upon how you mounted the pilot projects, but, for example, you might be supplementing the working poor, and when the project indeed, the pilot project, and if you decided not to continue, you might have some problems with drawing that supplementation.

The same thing with the Federal floor, if that were adopted in some areas.

But nevertheless, these are factors that are easy to put your finger on, and we think that it would be possible in a broad spread area, one that would be representative of districts of the country at large that you could try a project that would point out many of the weaknesses and inadequacies, and, I think help many of us who are stumbling over these problem areas in the proposed legislation, to overcome them.

The CHAIRMAN. I realize you might have some problems of that sort, but some of my colleagues are not too enthusiastic about using New York for a pilot program because it is one of the largest welfare States in the Union. It does not too much bother me if that might be a good place to test it. You have Nelson Rockefeller, who served down here with President Eisenhower, in the Department of Health, Education, and Welfare. He had a lot of experience here in Washington, and he has been consulted and understands what the family assistance plan is.

If New York wanted to be a State where the program would be tested I wouldn't find it objectionable as far as this Senator is concerned although you could test a lot cheaper in Maryland or in the District of Columbia. I would think that if we run the pilot program test that we would, in good faith, try to hold you harmless when the program came to an end, if it did, and I would think if it didn't succeed, it would be supplanted by something that we would hope would be better and not something that would be worse.

Some of us, and I am one, would like to see a test also made of the, what I regard as the work approach where you would pay people to work and simply say that if they are able to work, they wouldn't be eligible for the welfare payments.

But, we will try to work something out, and I do think that you are to be commended for having your ears open and hearing the direction of the way things seem to be going and giving us your views on it as you have. Thank you.

Mr. FELDER. Mr. Chairman, may I just add one brief comment with respect to the pilot program. As I understood Senator Ribicoff this morning, the idea of the pilot program is to see whether administratively it is possible to make this welfare reform program work in the first instance, and it seems to me in order to really do that in a meaningful way, at least one of the areas in which the program is tested should be an area which presents a broad spectrum of the administrative problems that you may be expected to encounter, and it would seem to me, although I have no particular brief for selecting New York City as one of the areas, you might select another large city, but I would respectfully suggest that at least one of the areas

that is selected is a large city, with a broad spectrum of the problems that might be encountered, because this is the only way in which we would truly know whether administratively it is possible to make this program work.

The CHAIRMAN. One suggestion might be to try it in the District of Columbia and the State of Maryland, that is right here where we can all take a look at it, neutral territory, you might say.

Mr. FELDER. As long as you have an area where you know you have a broad cross-section of the problems you may encounter.

The CHAIRMAN. Yes, sir.

Senator BENNETT. Mr. Chairman, just two comments. If we go the pilot way then we postpone the final solution for every State that isn't involved in the pilot program for the length of the time we study the pilot program. Are we going to have a pilot program to test the administration or are we going to have a pilot program to test the program. If all we are going to do is pass the program, and then set up several patterns of administration and test them against each other, this would give me no problem. But if we are going to take time to test the program then that puts off for years the time when we really come to face with the problem.

Mr. FELDER. But that investment of time may be warranted by some more assurance that the program will work. Much was said this morning about the inadequacies of medicare and medicaid, and other programs because of the lack of adequate testing before they were tried out, and it would seem to me that the way to really test this is to establish at the outset what we are trying to prove, programwise, administration-wise and any other problems, and then gear our pilot to these points that we are trying to establish.

Mr. KEPPLER. We have two serious problems, one is the determination of eligibility which is still a great problem in New York City and New York State, and I think this is part of the testing of the program.

The other part is that nobody seems to know how much this is going to cost, and I was dismayed to hear that it might cost $25 billion but I am hearing today figures even higher than that.

Senator BENNETT. If you add the Ribicoff figures the estimate is $40 billion. If we go up to the Ribicoff level, and if you go up to the low-income level which in New York is $7,800, it will go up above a hundred billion dollars per year.

Mr. KEPPLER. When we get that far we are almost ready to talk about a negative income tax or children's allowance. As a matter of fact, we could afford both.

Senator BENNETT. If you get up that far welfare is taking far more than half of the total Federal income, and I am not sure the taxpayers will add another hundred billion dollars to their present tax burden.

The CHAIRMAN. Thank you, gentlemen.

Mr. KEPPLER. Thank you.

(Statement of Federation of Protestant Welfare Agencies of New York, presented by John J. Keppler, and a communication subsequently received by the committee from Mr. Keppler follows:)

STATEMENT OF FEDERATION OF PROTESTANT WELFARE AGENCIES OF NEW YORK, PRESENTED BY JOHN KEPPLER, EXECUTIVE VICE PRESIDENT

Gentlemen: My name is John J. Keppler and I am the Executive Vice President of the Federation of Protestant Welfare Agencies of New York whose 280 member agencies serve over one and-a-half million people in the metropolitan area. On behalf of the Federation, I wish to thank you for this opportunity of presenting our views on this most essential legislation.

We strongly urge the enactment into law of the basic reform and innovative features of H.R. 1. Even though the bill contains certain weaknesses, the positive principles reflected therein so outweigh the deficiencies that their establishment is essential if we are to rid ourselves of the outmoded system, which although useful in its time, is largely responsible for the failure and frustrations which pervade the welfare programs today.

Public assistance has for many years been in a state of disorder. Today, the conditions are critical and require decisive corrective measures of broad scope. H.R. 1 is an attempt to move the crisis in public assistance from its present inert position into an operative condition of progress and potential. The bill offers new concepts, generates additional ideas and presents designs for better distribution of payments and service.

We recognize that there are serious deficiencies in the legislation, many of which would be cured by the Ribicoff Amendments. At the same time H.R. 1 provides the alternative to the present system which, justified or not, has lost the confidence of the community.

The administrators of public assistance are under constant attack. As the number of persons receiving aid continues to increase, legislators reduce grants, impose restrictions and attempt to curtail migration in to their states. In these actions, they reflect the attitudes of their constituencies. Regressive and punitive legislation increases year by year. Administrators of public assistance find themselves defeated in their efforts to cope with the problems of the poor. Their employees are disheartened and demoralized.

In contrast, we see these major beneficial aspects of H.R. 1:

the concept of a federally-funded plan with a floor under all grants;

the provision for the federal government to assume the full cost and administration of the programs of assistance to the aged, the blind and the disabled—a proposal long advocated by the Federation;

the provision for the federal government to grant supplementary assistance to the working poor;

the provision for automatic increases in Old Age and Survivors benefits according to the rise in the cost of living.

These beneficial aspects are not the only substantial improvements offered by the legislation; they are mentioned because the Federation believes them to be of major significance.

Although we have indicated that the benefits outweigh the deficiencies of the bill, we believe the latter should be mentioned. In particular we call attention to the following:

failure to require rather than merely permit the States to supplement the grants provided in H.R. 1, to the extent that such grants at least maintain current levels;

whereas we support the policy of employment for employables, mothers of young children should not be required to leave them for work if this is not in the best interests of the children;

no requirement that states maintain the scope and extent of necessary services such as drugs, dental care and eyeglasses;

the need for more adequate provision for home health services to reduce hospital and nursing home demands.

As we have previously stated the Ribicoff Amendments would correct many of the defects mentioned above. We urge early and favorable action by your Committee on this most critical legislation to reform and recreate our out-moded public welfare system.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.,
New York, N.Y., February 18, 1972.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.

DEAR CHAIRMAN LONG: You will recall that on January 28, 1972 I testified on behalf of the Federation, before the Committee on Finance on H.R. 1. During the hearings that day Senator Ribicoff suggested setting up a pilot program to test the Family Assistance Plan in various areas of the nation against the many problems known to exist. Senator Ribicoff's expressed conviction that the program, even if enacted by June or July of this year cannot be put into effect by July 1, 1973—the administration's target date—was apparently shared by you and most of your colleagues on the Committee present. It also became apparent that a Family Assistance Plan as contemplated by H.R. 1 will not be enacted in the foreseeable future.

We believe however that some important provisions of H.R. 1 could and should be enacted without further delay. The increase in Social Security payments—set at 5% by the House—should not only become effective in the very near future but should be in an amount which would reflect the rise in the cost of living since the benefits were last increased. The aged, disabled, widows and widowers should not be required to wait for the increases they so sorely need until the problems around the Family Assistance Plan have been finally solved.

We also strongly urge that the proposed new national program which would be administered by the Social Security Administration and provide financial assistance to the needy aged, blind, or disabled, become effective not later than July 1, 1973. The administration and funding of this program by the federal government through the present administrative framework and facilities of the Social Security Administration would, to a significant extent aid the states and localities in avoiding financial catastrophe resulting from mushrooming welfare costs.

Finally, we would like to propose for your consideration a plan designed to provide further interim fiscal relief to the states and localities. We suggest that the Social Security Act be amended to provide that the federal government pay the full cost of public assistance or care granted to any person who migrates from one state to another and applies for and receives assistance or care within one year of such migration. The responsibility of the federal government would be terminated when any such person shall have maintained himself in the state to which he migrated for a period of one year without receiving public assistance or care.

This idea calls for the creation of a federal counterpart to the state charge system now in effect in a number of states, including New York. Section 153.1.b. of the New York Social Services Law provides for reimbursement by the state to each locality of the full cost of assistance and care provided to state charges after first deducting any federal funds received or to be received on account thereof.

Similarly under the proposed scheme the federal government would completely reimburse the state for the full cost of aid to the "unsettled." This at once accepts the concept of the constitutional rights to equal protection of the law, due process, and the right to travel. At the same time the more "liberal and progressive" states would be relieved of the financial burden engendered by the exercise of these rights.

We are in accord with the recent decisions of the Supreme Court which unanimously struck down laws passed last year by the New York and Connecticut Legislatures to bar state welfare aid to persons who had not lived in the states at least one year. However the proposed plan would in no sense require durational residence as a condition to the receipt of assistance. The right of the recipient to apply for and receive assistance is in no way hindered or impaired. We believe that migration by individuals for the purpose of obtaining better employment opportunities, educational, medical, welfare and other social services than are available in the localities from which they decide to move, should be declared by the Congress to be a matter of national concern and accordingly

financed by the federal government and not the locality to which the individual decides to move.

Estimates by the New York State Department of Social Services show that about 14,000 welfare recipients—less than 1% of the total number of recipients—have been living in New York State less than one year. The public assistance grants for this number of recipients run to about $14 milion a year.

We trust that your Committee will give favorable consideration to these proposals and we invite any questions you may have. We would, of course, be glad to discuss the proposals further with you or your staff at any time convenient to you. I can suggest that any immediate questions you may have could be addressed to Mr. Sam Felder, our Consultant on Public Social Policy.

Sincerely,

JOHN J. KEPPLER,
Executive Vice President.

The CHAIRMAN. The next witness will be Mrs. Gladys Kessler, counsel for Working Mothers United for Fair Taxation.

STATEMENT OF MRS. GLADYS KESSLER, COUNSEL, WORKING MOTHERS UNITED FOR FAIR TAXATION

Mrs. KESSLER. Good afternoon, Mr. Chairman.

I want to thank you very much for the opportunity to testify today. I know just how busy your own witness schedule is here and I will attempt to summarize my testimony.

My name is Gladys Kessler and I am a member of the law firm of Berlin, Roisman & Kessler. We are serving as general counsel for Working Mothers United for Fair Taxation. This is a fairly new organization, Mr. Chairman, which has only been formed in the last few months, and we have one basic goal at this point, and that is removal of the inequities in the child care deductions in the Internal Revenue Code.

I would like to add, Mr. Chairman, while I come here specifically on behalf of Working Mothers United today I am authorized to speak for the National Organization for Women, NOW, and the proposal that we are putting forth to the committee is directly in line with the resolutions which were adopted by the National Women's Political Caucus at their resolution organization meeting.

Basically, Mr. Chairman, what we are seeking is to treat child care deductions as a business deduction. Now I know that this committee is fully aware of this problem, I know you dealt with it a good deal at the end of last session, Mr. Chairman. I know that this committee took extensive action to liberalize the deduction, and it was certainly under your leadership on the floor that we got a liberalization of the deduction and indeed that most of that was actually held in conference committee.

The particular thing we are seeking right now though is the amendment which did pass, I might add by a resounding vote of, I think it was 74 to 1 on the floor of the Senate, and that is an amendment that would make child care expenses a business rather than a personal deduction.

Now I know I don't have to outline in detail for the committee that when a working mother goes off to work she simply can't even walk out of her door in the morning until she has lined up adequate child care arrangements for her children. That is an absolute essential expense, Mr. Chairman.

We feel that the Senate already made that basic policy determination last session when it did, in fact, vote that amendment. We are asking you in basic form to reenact that amendment and to reaffirm the commitment that was made at that time, to working mothers. We feel that the Senate was prepared to do it last session, that certainly they are going to be equally prepared to do so this session.

There are two other aspects to the deduction, however, which I would just like to touch on very quickly because I think they are often overlooked.

First of all, I think it is important to remember that by making it a business deduction we are really going to have the greatest impact on low-income and lower middle-income families. They are the people who don't itemize, and when they do itemize, Mr. Chairman, their deductions are usually far less than the standard deduction.

We want to treat child care expenses as a regular business deduction and have them treated no differently than any other business deduction. Essentially just as regular business deductions don't have any arbitrary dollar limit on them, we don't want any arbitrary dollar limit on child care deductions.

I might add one thing, Mr. Chairman, and that is we are not quarreling with that $4,800 figure which you enacted last session. We are not here to request $4,800, $5,200, or $6,000 or anything of that sort. It is the basic principle, Mr. Chairman, and that is that just as in any other ordinary and necessary business expense you subject it to that test, ordinary and necessary, and that same test should be applied to child care expenses rather than the arbitrary dollar limit.

The other point I would like to make is this: By the same token when a business comes in to ask for a deduction for travel expenses or telephones or something of that sort, again we don't make any distinction on the basis of what the gross or net income of that business is. If IRS says it is a legitimate expense and it is ordinary and necessary, the business takes it. By the same token, we want that exact principle applied to child care expenses.

In other words, the entire point is treat child care the same way that you treat every other kind of legitimate business expense and, in essence, what we are asking is merely that you carry through and finish the action that was taken at the very end of last session.

One closing comment, Mr. Chairman, because I couldn't help focusing on this when I did see it in the newspapers at the end of last session. You mentioned that the Senate had managed to pass pretty good amendments to the child care bill without the help of very many women's groups around. Unfortunately, I think you were right, there weren't very many women's groups focusing on that issue last session, and the Senate did manage to do it by itself.

I just want to assure you that this time not only will our organization be around, but certainly the National Organization of Women will be. We hope that in the next few weeks that this committee and the members of it will be hearing a good deal more from members of our organizations about their support and approval for this legislation, and I want to assure all of you that we will certainly be doing everything we can to persuade you through letters and telegrams and, I hope, through buttonholing the Senators at home, during their visits

at home, as well as trying to get to see them here in the Senate, that it will be very clear that women consider this a very important issue, and indeed an issue on which they can really test the commitment of their own Senator to the cause of women's rights.

We urge you to carry through on the action that was taken last session, and to once again indicate the leadership of this committee in terms of recognizing the fact that child care is indeed a very legitimate expense, and that not only does it enable the working mother to go out and earn an income, but it also enables that woman to create further employment on the part of people who are going to be coming in to take care of her child, if it is an in-home arrangement or to take care of her child at a day care center or a nursery school which she may go to.

The CHAIRMAN. You have a statement here that should be read, I would just like to read it since you did not read it yourself. You say one of your members, a highly successful writer, remarked to you, "I can always get along without a secretary and type my own articles, but the day my housekeeper doesn't show up is the end of work for me."

Mrs. KESSLER. That is absolutely right.

The CHAIRMAN. Now, one working mother made a remark on the Today show. She said, "If David Rockefeller is going to do his job as the president of the Chase Manhattan Bank he has to have a secretary," and she said for her to do her job she needs that babysitter a lot worse than David Rockefeller needs that secretary.

Mrs. KESSLER. I suspect that is true.

The CHAIRMAN. Roger Freeman made an impressive statement yesterday on behalf of the Hoover Institution and he said that it is rather ridiculous that we have women with more than one college degree, some with two and three college degrees, who can't do the work they are trained and skilled to do and qualified for because they can't find someone simply to sit with the children while they go out and perform something that they are completely qualified for. That is a great waste of human talents.

I completely agree with you. I am happy you came through because I have been convinced of what you say for a long time and I am happy to have my colleagues here.

Mrs. KESSLER. Thank you very much, Senator. I hope we can convince everyone else on the committee. We will do our best, I can assure you.

The CHAIRMAN. Thank you.

(Prepared statement of Mrs. Kessler follows:)

PREPARED STATEMENT OF GLADYS KESSLER, GENERAL COUNSEL FOR WORKING MOTHERS UNITED FOR FAIR TAXATION

Mr. Chairman, it's a pleasure to appear before you today. My name is Gladys Kessler, with the law firm of Berlin, Roisman and Kessler, and I am General Counsel to Working Mothers United for Fair Taxation. I know just how crowded your schedule is, so I'd like to accept the Committee's offer to submit a full statement for the record, and concentrate today on a few essentials, such as who we are, what our interest is in H.R. 1, and what legislation we seek.

Working Mothers United is a newly formed group of working women who have the same legislative goal that Chairman Long voiced at the end of the last Congressional session—removal of the inequities in the Tax Code provisions concerning child care deductions. Our membership happens to be primarily made up of women but the goals we are seeking would, of course, apply across the board to every parent with the responsibility for caring for a child.

There are 13.9 million working mothers in the United States. Every one of those women must know that her child is receiving competent and reliable care before she can set out for her job in the morning. In order for her to earn one penny of income, she must incur whatever expense is required to give her children the proper care during the working day. As the law now stands, she is given only a limited personal deduction even though these expenses are directly related to her income-earning activities.

We know that this is a subject of great interest to the Committee. And we greatly welcomed the liberalization of Section 214—relating to the deductibility of child care expenses—which the Committee reported out last winter. In particular, we are grateful to the Chairman for the strong leadership he exercised both in the Committee and on the floor, and again in the Conference Committee, so that the income ceilings were raised for those who could claim the deduction and the actual amount of the deduction was increased.

Our hope is that this year the Congress, led by Chairman Long and the members of this Committee, will finish the job they started last year, and give working women—indeed give working parents both mothers and fathers—the fair treatment that they're entitled to.

Our goal is very simple. We want all child care expenses related to gainful employment to be treated as business rather than personal expenses. Just as there is no income limitation on those eligible to claim all other kinds of ordinary and necessary business expenses, and just as there is no dollar limit on the actual amount of the deduction itself, we believe that no such restriction should be applied to the business deduction for child care expenses. In short, expenses for child care should not be treated as stepchildren, under the Internal Revenue Code.

Let me now, if I may, elaborate a bit. We want to treat child care as what it really is—a business deduction and not a personal deduction. This expense is essential to every working mother in the country. I don't need to tell you gentlemen, what a priority item it is for every working mother to obtain the best child care arrangements she can find and afford for her child.

Those arrangements for child care—whether they be a part-time housekeeper, a nursery school, a child-care center, or a convenient neighbor—are as directly related to that women's professional performance on her job as the automobile which a salesman uses to carry him on his rounds or the make-up man or woman who prepares a movies star for the cameras.

Indeed, one of our own members—a highly successful writer—has remarked to me, "I can always get along without a secretary and type my own articles, but the day my housekeeper doesn't show up is the end of work for me."

If we're going to allow businessmen to deduct lunch at the Jockey Club, or a trade convention in Miami Beach at super bowl time, it's pretty hard to tell a working mother that the cost of the housekeeper who cares for her two small children is not a legitimate, deductible business expense.

In terms of the actual operation of a child care business deduction, there's one important point that is easily overlooked. The business deduction would be particularly helpful to low and lower-middle income families who, by and large, do not itemize their deductions and therefore obtain little real advantage from the revised Section 214. Even if they do itemize, their total itemized deductions are probably well below the standard deduction, which again highlights the impact that the business deduction would have on low and lower-middle income families.

I'm sure the members of the Committee will remember that the business deduction for child care expenses was in fact approved by a resounding 74 to 1 vote in the Senate in the closing days of the last session. Unfortunately, it was lost in Conference. We are asking you to reaffirm that vote, and the commitment that that vote represented to all working women, and to once again enact this measure.

In order to accord child care expenses full business deduction status, we are asking you to remove all specific dollar limits on the deduction itself.

As you know, the law now allows a personal deduction for $4,800 a year under certain limitations. Our quarrel is not with that specific amount as opposed to $5,000 or $5,200 or even $6,000. Rather, we are concerned that a flat dollar limit is being set for the amount of deduction for child care expenses when no such dollar limit is set for any other business deduction.

The IRS is in the business of collecting, and policing, tax returns. Just as IRS will disallow the cost of a $50,000 pleasure yacht for "entertaining clients" if it's excessive or unjustified, so they will disallow child care deductions which are questionable or inappropriate. There can be no justification for treating child care deductions any differently from any other business deductions. Indeed, there is an even greater built-in protection against excessive claims for child care costs—they can not be passed on to the consumer the way that two-martini lunches and country club dues can be.

To be frank, I suspect that this whole problem would prove academic once the business deduction provision was enacted. No family is going to incur whopping child care deductions because they can not deduct every cent. People simply aren't motivated in this fashion. Families have budgets to balance just as do corporations. And since families have an even harder time getting consumer loans to make ends meet than corporations do, I think we're safe in assuming that the existence of an unlimited deduction is not going to encourage family fiscal irresponsibility—or fraud.

Finally, if we are to give full recognition to child care costs as legitimate business expenses, which is what the Senate has already done, there can be no arbitrary income limits on those who can claim a child care deduction. No business is denied its deduction for stationery or travel or phone calls because of the amount of money it grosses. As we all know, it's only the corporate giants who can afford to sponsor seminars and refresher courses in Las Vegas and Puerto Rico. By the same token, the child care deduction should be available to all who qualify for it on the merits. The rationale for nursery schools is surely just as convincing as for jaunts to Paris—the Congress has determined that this is a legitimate expense incurred for the purpose of enabling the taxpayer to earn income.

In short, Mr. Chairman, Working Mothers United is asking this Committee to fulfill the Senate's promises of last session. It asks the Committee to report out the provisions making child care expenses a business expense and to then treat them the same as every other business expense—by subjecting them to the "ordinary and necessary" standard which IRS has administered for years instead of imposing dollar limits on eligibility and amount which, in effect, make child-care a stepchild deduction.

At the end of last session, I remember reading in some newspaper a remark by the Chairman that the Committee had managed to liberalize Section 214 even without the help of women's groups. Well this session we are here, and will be until this legislation is passed. In addition to Working Mothers United, we also have the endorsement and womanpower of the National Organization for Women (N.O.W.), and the position we're taking today is in full accord with that adopted by the National Women's Political Caucus. We want every Senator to understand how important a vote this is to women, one on which they can measure their own Senator's commitment to the cause of women's rights.

There are 31.5 million working women in the United States, 38% of the total American labor force, and 13.9 million of them now have children under the age of 18. It is safe to say that every one of these 13.9 million working women—and their families—intimately understand the necessity and the equities of the legislation we're seeking.

Based on the progressive actions taken by this Committee last session, we believe that you too understand these equities. We look forward to working with you on the legislation, and can assure you that if reported out by this Committee, you will see a steady stream of working mothers pounding these walls helping to get it passed.

Thank you.

The CHAIRMAN. The next witness will be John F. Griner, president of the American Federation of Government Employees.

Mr. Griner, I am going to have to make a statement on the Senate Floor. I believe I know what your statement is.

STATEMENT OF CLYDE M. WEBBER, EXECUTIVE VICE PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, ACCOMPANIED BY STEPHEN A. KOCZAK, DIRECTOR OF RESEARCH

Mr. WEBBER. Mr. Chairman, I am the executive vice president substituting for Mr. Griner. This is Mr. Koczak, our director of research.

The CHAIRMAN. I am going to ask Senator Anderson to preside.

Mr. WEBBER. We have a summary here of our statement which I would like to read.

In summary to our complete statement our organization, representing over 650,000 Federal employees, endorses the purposes behind H.R. 1, constituting amendments to the Social Security Act.

Senator ANDERSON (presiding). Will you stop just a second there? We will include the statement in full in the record. Identify your associate.

Senator BENNETT. Did you identify the man who is with you?

Mr. WEBBER. Mr. Koczak, our director of research for the federation.

Senator ANDERSON. Thank you.

Mr. WEBBER. We sincerely request three modifications of the language of the present version of H.R. 1.

We are fundamentally and totally opposed to section 210 and request your committee to strike this section entirely from the bill.

The purposes of this section are entirely punitive and negative. As you know, this bill emerged from the House Ways and Means Committee which, strictly speaking, has no jurisdiction over the Federal Employee Health Benefit program. That is why the language of section 210 is negative and that is why section 210 gives the Secretary of Health, Education, and Welfare only the power to intervene indirectly in the statutory rights and duties of the Civil Service Commission, which has the prime obligation to supervise the Federal Employee Health Benefit program. This indirect meddling, using the "stick" of cutting of medicare payments unless the Civil Service Commission takes certain actions, could lead to a dangerous and unnecessary conflict within the executive branch, the net result of which would be to injure the very people who need the greatest protection—the elderly Federal employee and annuitant.

I shudder to think of the administrative bureaucratic monster that would have to be created just to sort out the claims of the elderly Federal employees and annuitants insured under those programs disapproved by the Secretary of Health, Education, and Welfare which have been previously approved by the Civil Service Commission. The resulting chaos of paperwork at the local level; the delays in payments; the uncertainties and financial hardships imposed on those elderly sick persons; the letters of appeals to Congress, to the insurance companies, to HEW, and to the Civil Service Commission; and the numbers involved in class action suits in courts would run into the thousands.

I believe that the motives of the drafters of this section are good. But this is one case where I believe the old saying is true that the "road to hell is paved with good intentions." If there are some instances where the elderly today feel, rightly or wrongly, that they are not getting sufficient supplemental benefits to medicare from Federal insur-

ance carriers, this is an administrative problem which the Civil Service Commission can easily handle. If the Commission fails to do this, the respective Senate and House Post Office and Civil Service Committees can act. But in no case should the Secretary of Health, Education, and Welfare, who has no position to intervene in the affairs of the properly authorized Federal agency, the Civil Service Commission. I therefore once again ask you to strike this entire section from H.R. 1 as being inappropriate legislation whose results would be mischievous and tragic.

Our second request concerns section 532, dealing with "liberalization of retirement income credit."

Our organization has repeatedly asked that Federal employee retirement income credit be equal to the maximum allowed under the Railroad Retirement Act or the Social Security Act, whichever is the greater. Today, the Federal employee is not specifically provided either. We consequently welcome the specific inclusion in section 532 of Federal annuities.

We regret however that the maximum retirement income credit permitted is limited to $2,500.

Using the model of the Railroad Retirement System, we think that a Federal annuitant should receive a retirement income credit of at least $5,000 if he is single and $6,750 if he is married. For example, a married annuitant aged 65 under the Railroad Retirement Act retiring January 1, 1972, was entitled to a maximum tax-exempted income of $6,716.40—he would have received $408 per month in regular benefits and his dependent wife $151.70. If he were 65 at the end of 1972, I understand his annual income would be in the neighborhood of $6,800.

Even those who would use the less appropriate Social Security System as a model would have to concede that under its standards the married Federal employee should be entitled to a retirement income credit of at least $3,750. We believe that even they would grant that the $2,500 limitation is inequitable especially when one takes into account that married annuitants must reduce their annuities financially to provide survivorship benefits to their spouses. The rate is 2.5 percent of the first $3,600 of annuities and 10 percent of all amounts in excess of $3,600. Moreover, this reduction continues to apply, even if the spouse predeceases the annuitant and the spouse has no benefit from the reductions.

For this reason, we recommend that H.R. 1 be amended by changing the amount in section 532(c)(4) from $2,500 to $5,000 and by adding the underlined clause to the present language on exemptions, so that the new language would read as follows:

532(c)(4). The amount of such income taken into account with respect to any individual for any taxable year shall not exceed $5,000, excepting that in the case of joint returns involving an annuitant who has reduced the annuity to provide survivorship benefits for a spouse, the amount of such income shall be increased not to exceed $6,750.

If your committee were to accept this philosophy, I believe that there would have to be other changes in the language of the bill, especially the section on page 441 dealing with "initial amount." These are technicalities of drafting, however, on which I would not wish to offer language but would defer entirely to your own judgment.

VOLUNTARY OPTIONAL SOCIAL SECURITY

Our third request concerns voluntary optional social security participation by Federal employees. Many Federal employees today suffer serious discrimination and inequity simply because they work for the Federal Government and cannot participate voluntarily in the social security program. In our testimony, we cited a typical example of the hardships some of them experience.

We are, of course, just as much opposed as in the past to any attempt to "consolidate" the Civil Service Retirement and Social Security Systems. The goals and purposes are essentially different. The Social Security System is a social insurance, health and welfare system designed to provide financial income, partially replacing work-related earnings, to the entire population during old age and during such misfortunes within the normal working years as death or injury to the breadwinner.

The Civil Service System is designed to provide annuities to Federal employees primarily on the career principle, therefore basing its annuities on length of service and highest level of earnings while in the Federal employ.

Each has its separate merit and each should be maintained. But some Federal employees may find that their own best interests lie in participation in both, the Civil Service system for career purposes, the social security for its welfare features. If Federal employees wish to belong to the Social Security System and to pay for their participation, we believe they should have this voluntary option.

In conclusion, I again wish to thank the committee for this opportunity to present this abbreviated summary statement and to file our complete statement for the record. I shall be most happy to answer any questions.

Senator ANDERSON. Any questions?

I want to thank you very much for your patience for waiting, and we have appreciated your testimony, it is very good.

Mr. WEBBER. Thank you.

(Prepared statement of Mr. Griner follows. Hearing continues on p. 1759.)

PREPARED STATEMENT OF JOHN F. GRINER, NATIONAL PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

The American Federation of Government Employees, the largest union of Federal employees in the history of the United States, currently representing 650,000 employees in exclusive recognition units, appreciates the opportunity to comment on the provisions of H.R. 1, which constitute amendments to the Social Security Act.

With respect to the Bill as a whole, our organization endorses in advance the position which will be taken by the AFL–CIO in its forthcoming statement to your Committee. For the sake of expedition, I shall not repeat the arguments included in that statement and shall devote my further comments exclusively to three issues which are of particular concern to Federal employees: These are:

a. Section 210, dealing with "Payment under Medicare to Individuals Covered by Federal Employees Health Benefits Program";

b. Section 532, dealing with "Liberalization of Retirement Income Credit"; and

c. The subject of optional social security participation by Federal employees, an item not included in H.R. 1.

PAYMENT UNDER MEDICARE TO INDIVIDUALS COVERED BY FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

The American Federation of Government Employees as sponsor for the AFGE Health Benefit Plan, an Employee Organization Plan written under the Federal Employees' Health Benefit Act, currently covering 13,600 Federal employees and annuitants; and, as the largest organization of Federal employees, most of whom are covered under one of the other Federal Health Benefit Plans, wishes to express its fundamental opposition to Section 210 of H.R. 1 which is before your Committee.

To the best of my knowledge, the language of Section 210 is the same as that in Section 201 of H.R. 17550 with one modification. The authorization date for the intervention by the Secretary of Health, Education and Welfare in H.R. 17550 was January 1, 1972 and that date in H.R. 1 is January 1, 1975. Otherwise, the provisions are similar.

The Report (Union Calendar No. 86, House Report 92-231) is silent on the legislative history of Section 210. However, the Report acompanying H.R. 17550 (page 25 of House Report 91-1096) was explicit, stating that the purpose of this Selection was to "assure a better coordinated relationship between the FEHB program and Medicare and to assure that Federal employees age 65 and over will eventually have the full value of the protection offered under Medicare and FEHB. . . ."

This is supposed to be accomplished by imposing prime carrier responsibility on the FEHB program as of January 1, 1975 in those cases where the Federal employee or annuitant also has Medicare coverage unless, as stated on page 25 of the Report, "the Secretary of Health, Education and Welfare certifies that the FEHB program has been so modified as to assure that there is available to each Federal employee or retiree age 65 and over one or more Federal health benefit plans which offer protection supplementing the combined protection of parts A and B of Medicare, and the protection of part B alone and that the government is making a contribution toward the health insurance of each Federal employee or retiree age 65 and over, which is at least equal to the contribution it makes for high option coverage under government-wide FEHB plans."

Your Committee has already received testimony and statements from other sponsors of Federal Employee Health Benefit Plans pointing out the financial losses to the FEHB program and the Federal employee or retires age 65 and over should the FEHB program be made the prime carrier for benefits with Medicare not duplicating any benefits for services and items covered by the particular FEHB plan involved. Under this method of benefit determination the claim losses under the AFGE Health Benefit Plan would have been increased annually by an amount in excess of $500,000 for the period; and it would be reasonable to expect that the increased claim losses under the FEHB program as a whole would be in excess of $30 million annually. These figures do not include the losses in benefit amounts paid to Federal employees and retirees age 65 and over should the FEHB plans be made the prime carrier and the present system of benefit coordination of benefits between the FEHB plans and Medicare, as established by Civil Service Commission regulations, be abandoned.

This increased claim cost to the FEHB plans, which up to this time has been the legal obligation based on the intent of the legislation enacted in 1965 that Medicare would pay its benefits in full without regard to any other benefits that might be payable under an employee health benefit plan, could only result in increased premiums for each of the FEHB plans. Such premium increases would apply to all insured Federal employees regardless of age with the government paying 40 per cent of the increased premium cost under the legislation enacted September 25, 1970 (P.L. 91-418) to increase the government contribution to FEHB premiums.

It should be noted that employee health benefit plans in private industry would continue to receive advantage of full benefit payment under Medicare and most of them would coordinate their benefits with Medicare so as to supplement rather than duplicate Medicare benefits in the same manner as that now provided for the FEHB plans under Civil Service Commission regulations. The resulting savings would be passed on to all persons insured under that particular employee benefit plan.

This brings up the question as to why the FEHB plans have been singled out for special treatment under Section 210 of this Bill. It can only be assumed that since the Federal employee has been paying and will continue to pay up to January 1, 1973 approximately 60 per cent of the cost of his health benefit he is more concerned as to how this money is spent and whether he individually receives the full benefit of his own contributions. Since the employee in private industry contributes little, if any, toward the cost of his employee health benefit he is more concerned with the total benefits that he receives from Medicare and his employee health benefit plan than with how these benefits are paid for.

The Federal employee has undoubtedly expressed his concern to his Congressional Representatives with the result that Congress is equally concerned as to whether the present system of benefit coordination between the FEHB plans and Medicare is the best method of providing full health insurance protection for the Federal employees or retires age 65 and over.

The Civil Service Commission in issuing its regulations on how the FEHB plans would adjust their benefits so that in effect they supplement, rather than duplicate, the benefits provided by Medicare pointed out that there would be no reduction in premium charges under the FEHB plans even though the employee or his spouse, or both are covered by Medicare. They pointed out that, as a class, persons over 65 use between two and three times as much service as younger people, and the true cost of the supplementary coverage under a plan for age 65 and over persons would be roughly the same as they pay now. It was also pointed out that since most low options adequately supplement full Medicare coverage at less cost than the high options, an employee enrolled in the high option who has full Medicare coverage (hospital and medical insurance) for himself and his spouse and has no children who are family members should consider changing to low option.

Up until the time Medicare became operative on July 1, 1966, the Federal employee and retiree age 65 and over were being subsidized by the younger people insured under the FEHB program. The amount of this subsidy would have gradually increased as more employees and annuitants reached age 65, and had not Medicare entered the picture at this point there would have been considerable agitation from the younger people to the effect that the older age group was not as a class paying their own way. The savings to the FEHB plans under the system of coordinating benefits avoided the possibility that a higher premium rate would have to be applied to the older group of persons insured under the FEHB plans.

We submit therefore that the present system of benefit coordination as established by Civil Service Commission regulations, while not perfect, works to the advantage of all Federal employees and that the Federal employee and retiree age 65 and over, in this manner, have protection that is supplementary to Medicare at a cost to them that is not in excess of what the cost would be for the supplemental plans proposed by Section 210 of H.R. 1.

This is not to say that the present system is the best method of supplementing Medicare benefits under the FEHB program, but in our opinion the supplemental plans proposed under Section 210 do not accomplish the desired objective and, in fact, would work to the decided disadvantage of many insured Federal employees and retirees who are insured on a family basis under the FEHB program. We refer to the Federal employee and retiree enrolled on a family basis who might be eligible for part A of Medicare and whose spouse is not, or the reverse situation. Additionally, there are those instances where dependent children are still covered under the FEHB enrollment. While a supplemental plan could readily be designed to supplement the benefits that the Federal employee or retiree himself is entitled to and enrolled for under Medicare, it would be difficult, if not impossible, to design, administer and establish a cost for supplemental or in some cases total coverage for all family members other than the Federal employee or retiree.

We have no quarrel with the intent of Section 210, but strongly object to the solution to the problem it proposes. We are confident that a workable method of assuring that Federal employees and retirees age 65 and over will have full value of the protection offered under Medicare and the FEHB program can be devised by the responsible parties in the Civil Service Commission and the Social Security Administration in consultation with the insurance carriers under

the FEHB program and insurance carriers who have solved this problem for health benefit plans in private industry. If it is determined that the present coordination of benefits system is not the most equitable for the Federal employee, an alternate, or alternatives, shoud be recommended and any requirement for enabling legislation should be referred to the appropriate Post Office and Civil Service Committee in Congress.

In conclusion, we wish to record again our strong opposition to Section 210 of H.R. 1 and we request your Committee to delete this Section from H.R. 1.

LIBERALIZATION OF RETIREMENT INCOME CREDIT

Our second request concerns Section 532, dealing with "liberalization of Retirement Income Credit."

Our organization has repeatedly asked that Federal employee retirement income credit (both for Civil Service system and Foreign Service system personnel) be equal to the maximum allowed under the Railroad Retirement Act or the Social Security Act, whichever is the greater. Today, the Federal employee, whether under the Civil or the Foreign Service, is not specifically provided either. We consequently welcome the specific inclusion in Section 532 of Federal annuities.

We regret however that the *maximum* retirement income credit permitted is limited to $2,500.

Using the model of the Railroad Retirement System, we think that a Federal annuitant should receive a retirement income credit of at least $5,000 if he is single and $6,750 if he is married. (For example, a married annuitant aged 65 under the Railroad Retirement Act retiring January 1, 1972, was entitled to a maximum tax-exempted income of $6,716.40—he would have received $408.00 per month in regular benefits and his dependent wife $151.70. If he were 65 at the end of 1972, I understand his annual income would be in the neighborhood of $6,800.00).

Even those who would use the less appropriate Social Security System as a model would have to concede that under its standards the married Federal employee should be entitled to a retirement income credit of at least $3,750. We believe that even they would grant that the $2,500 limitation is inequitable, especially when one takes into account that married annuitants must reduce their annuities financially to provide survivorship benefits to their spouses. (The rate is 2.5 per cent of the first $3,600 of annuities and 10 per cent of all amounts in excess of $3,600). Moreover, this reduction continues to apply even if the spouse pre-deceases the annuitant and the spouse has no benefit from the reductions.

For this reason, we recommend that H.R. 1 be amended by changing the amount in Section 532(c)(4) from $2,500 to $5,000 and by adding the underlined clause to the present language on exemptions, so that the new language would read as follows:

> "532(c)(4). The amount of such income taken into account with respect to any individual for any taxable year shall not exceed *$5,000, excepting that in the case of joint returns involving an annuitant who has reduced the annuity to provide survivorship benefits for a spouse, the amount of such income shall be increased not to exceed $6,750.*"

In support of my request I should like to invite the Committee's attention to the serious financial plight in which most Federal annuitants, spouses and survivors find themselves.

The Table on the following page is a reproduction of a Table prepared by the Bureau of Retirement, Insurance and Occupational Health for inclusion in its Report for the fiscal year ending June 30, 1970. These are the most recent figures available to us.

As the Table shows, there are approximately 240,069 annuitants (most with spouses) and over 256,164 survivors drawing annuities under $2,500 per annum. This is almost 500,000 human beings. I am pleased to find that they would all be totally exempted from paying income tax on their annuities.

But there are an additional 422,154 annuitants, most of them with sponses, who would not be entitled to any additional tax credit beyond $2,500, even though the great majority of them had reduced their annuities to provide survivorship benefits to their spouses. When one studies the Table one notes that more than half of all annuitants and survivors receive less than $2,500 per year; and another 38 per cent receive between $2,500 and $5,000; and just bout 10 per cent receive annuities over $5,000 per year.

TABLE A-9.—NUMBER OF EMPLOYEE ANNUITANTS AND SURVIVOR ANNUITANTS ON THE RETIREMENT ROLL AS OF JUNE 30, 1970, BY MONTHLY RATES OF ANNUITY

Monthly rates of annuity	Employee annuitants			Survivor annuitants			
	Total	Prior to Public Law 854	Under Public Law 854	Total	Prior to Public Law 854	Under Public Law 854	Under Public Law 85-465
Under $10	118	89	29	272	95	176	1
$10 to $19	2,566	2,271	295	6,015	3,913	2,063	39
$20 to $29	10,882	9,126	1,756	12,429	5,183	6,626	620
$30 to $39	10,615	7,401	3,214	12,791	4,518	7,072	1,201
$40 to $49	10,765	6,994	3,771	13,626	3,002	9,879	745
Subtotal—under $50	34,946	25,881	9,065	45,133	16,711	25,816	2,606
$50 to $59	11,411	6,359	5,052	19,536	5,235	12,832	1,469
$60 to $69	12,800	5,920	6,880	18,548	7,230	9,505	1,813
$70 to $79	8,015	3,559	4,456	53,257	5,595	46,678	984
$80 to $89	14,620	6,189	8,431	21,329	10,637	8,471	2,221
$90 to $99	10,209	3,459	6,750	16,061	5,478	9,992	591
Subtotal—under $100	92,001	51,367	40,634	173,864	50,886	113,294	9,684
$100 to $109	12,949	3,933	3,016	9,435	3,121	6,314	.....
$110 to $119	13,072	3,596	9,476	11,361	4,182	7,179	.....
$120 to $129	15,424	3,354	12,070	8,939	2,772	6,167	.....
$130 to $139	11,886	2,662	9,224	6,919	1,627	5,292	.....
$140 to $149	17,166	3,420	13,746	13,141	3,124	10,017	.....
Subtotal—under $150	162,498	68,332	94,166	223,659	65,712	148,263	9,684
$150 to $159	13,139	2,176	10,963	7,905	3,108	4,797	.....
$160 to $169	16,324	2,854	13,770	6,603	1,969	4,634	.....
$170 to $179	14,993	1,923	13,070	6,850	2,187	4,663	.....
$180 to $189	17,262	2,991	14,971	5,884	1,883	4,001	.....
$190 to $199	15,853	2,181	13,672	5,263	1,442	3,821	.....
Subtotal—under $200	240,069	79,757	160,312	256,164	76,301	170,179	9,684
$200 to $249	91,958	12,580	79,378	19,629	4,269	15,360	.....
$250 to $299	82,336	16,522	65,814	9,536	1,405	8,131	.....
$300 to $349	61,513	8,320	53,193	4,677	622	4,055	.....
$350 to $399	50,651	4,801	45,850	2,704	345	2,359	.....
$400 to $449	36,644	2,356	34,288	1,564	149	1,415	.....
$450 to $499	26,779	1,099	25,680	953	54	889	.....
Subtotal—under $500	589,950	125,435	464,515	295,227	83,145	202,398	9,684
$500 to $599	31,674	1,094	30,580	867	28	839	.....
$600 to $699	16,491	515	15,976	336	7	329	.....
$700 to $799	9,487	229	9,258	110	5	105	.....
$800 to $899	5,922	82	5,840	36	1	35	.....
$900 to $999	3,588	12	3,576	14	.....	14	.....
Subtotal—under $1,000	657,112	127,367	529,745	296,590	83,186	203,720	9,684
$1,000 and over	5,111	13	5,098	16	1	15	.....
Grand total	662,223	127,380	534,843	296,606	83,187	203,735	9,684

It then appears equitable that the nation should allow single Civil Service and Foreign Service annuitants a tax exemption of $5,000 and married annuitants, *whose annuities have been reduced to provide for their spouses*, a tax credit of $6,750, the same amount allowed elderly citizens under the Railroad Retirement Act.

If your Committee were to accept this philosophy, I believe that there would have to be other changes in the language of the Bill, especially the Section on page 441 dealing with "initial amount." These are technicalities of drafting, however, on which I would not wish to offer language but would defer entriely to your own judgment.

VOLUNTARY OPTIONAL SOCIAL SECURITY PARTICIPATION BY FEDERAL EMPLOYEES

A major issue which regularly confronts our members is their denial of participation on a voluntary and individual basis in the Social Security System after they begin to contribute to the Federal Civil Service Retirement Fund. Many Federal employees have worked for private employers and for states and municipalities which participated in the Social Security system. Consequently, they have already contributed moneys in the form of Social Security tax to the System. They feel that they should not be denied continued participation in the Social Security System solely because they are working for the Federal government.

To understand the kind of serious discrimination and inequity imposed on Federal employees, *solely because they work for the Federal government*, I should like to present a simple, hypothetical case. To make the case even more relevant to the purposes of this Hearing, I am assuming that the Federal employee will be 65 years old in February 1972. Thus, the example I am giving reflects the current legal situation as closely as I can draw it.

This Federal employee, born in February 1907 earned 19 quarters of social security credit in the last nine years. He joined the Federal service in December 1969. He would like to continue to contribute to the Social Security System because of his advanced age.

What is his current situation?

First of all, if he becomes disabled today he will not receive any benefits from Social Security because he must have earned twenty quarters out of the last forty to qualify for disability benefits. Up to December 1969, he had earned nineteen out of the previously thirty-six. If he had been able to contribute voluntarily, he could have earned thirty-one out of the last forty. Thus, by rigid operation of the Social Security System, he has been mandatorily precluded from providing basic coverage to himself and his family, *solely because he has been a Federal employee since December 1969.*

Moreover, if he is disabled and is no longer employable, due to his disability, he will then not be able ever to obtain that last quarter he needs to qualify for old-age retirement benefits when he becomes 65 in February 1972. Thus he is exposed to double jeopardy, to double discrimination. *And the sole reason for this double jeopardy is that he is a Federal employee.* If he were self-employed he would be eligible today to participate in the Social Security System to obtain that last quarter. If he were employed by a private employer, he would be eligible. If he were employed by most state and local governments, he would be eligible. But solely by reason of his Fedral employment, he suffers discrimination.

And yet, what would be the maximum benefit this man could be receiving *even* if he were eligible. What is the so-called "saving" to the Social Security System for denying this man a basic coverage? Assuming he had been paying on $7,800 annually, his Social Security old-age pension would be $126.00 per month (five times $7,800 equals $39,000 divided by 5/14 equals average of $2,785.71, providing a monthly payment of $126.00).

But the fact is that even this seriously reduced retirement benefit is being denied to him and to other Federal employees today. Federal employees are prevented by law from participating in the Social Security System on a voluntary and individual basis. Consequently, in the case of disability benefits, they can lose the benefits they have already acquired simply because of the elapse of time. In the case of old-age benefits, they can be prevented from achieving minimal qualification for their specific age group. In both instances, they are being punished solely for being Federal employees.

We are, of course, just as much opposed as in the past to any attempt to "consolidate" the Civil Service Retirement and the Social Security Systems. The goals and purposes of the two programs are essentially different. The Social Security System is a social insurance, health and welfare system designed to provide financial income, partially replacing work-related earnings, to the entire population during old age and during such misfortunes within the normal working years as death or injury to the breadwinner.

The Civil Service Retirement System, which incidentally is fifteen years older than the Social Security System, was originally enacted, and has been continued to be amended, so as to provide annuities to Federal employees primarily on the career principle, therefore basing its annuities on length of service and highest level of earnings while in the Federal employ.

We recognize and wish to maintain this distinction between the Social Security and the Civil Service Retirement Systems. Consequently, we are not proposing any kind of consolidation resulting in mandatory participation by Federal employees under the Social Security System.

Neverthless, our position does not exclude, and in fact is not in conflict with, the desirability of making Social Security benefits also available to Federal workers generally on an individual and voluntary basis. We understand that the Social Security Administration has opposed such "selective" participation on the grounds that only those people would participate who would "profit" from a voluntary participation system and that those Federal employees who would not "profit" would abstain. The Social Security Administration has contended that

there would not be present the actuarial conditions necessary to maintain "in balance" the "profit" and the "loss" participants.

We seriously doubt that this fear of the Social Security Administration is well-grounded. There is little actuarial basis or experience for substantiating it. But, even if we were to concede for the sake of argument that there might be some net loss, it appears to us that it would be of marginal importance and should not exceed a few hundred thousand dollars a year. On the other hand, by risking such a small net loss on the part of the Social Security System, the Congress would eliminate very serious inequities to many American citizens who happen to be Federal employees and who suffer real poverty and hardship from the present situation where they are denied participation.

For example, participation in Social Security would extend much more realistic survivorship and disability protection to young workers. Those employees who leave the Federal service before retirement would be assured of survivor and disability rights because their government service would have been credited, under a voluntary and individual status, for Social Security purposes. Even those Federal workers with five years or more Federal service would be able to ameliorate the deficiency between the higher payments under the Social Security System and the lower payments under the Civil Service Retirement System because benefit amounts would always be at least at the level of Social Security. The level of the annuities of the Civil Service has been as low as $10.00 per month.

CONCLUSION

We sincerely request the Committee to eliminate Section 210 and modify Section 532 of H.R. 1, so as to provide greater equity to Federal employees in the enjoyment of the provisions of this legislation.

Our proposal to eliminate Section 210 would assure that elderly Federal employees and annuitants would be able to obtain maximum medical and health benefits supplementing Medicare.

Our proposals regarding Section 532 would extend to married Federal annuitants and their spouses, filing a joint income tax return, the full exemptions which American citizens retiring under the Railroad Retirement Act would have under H.R. 1. As Section 532 now reads, they would suffer discrimination in this area.

Our final proposal, regarding voluntary optional participation by Federal employees in the Social Security System, would end the exceptional hardships to which some employees are now exposed simply because they are "Federal employees." We continue to oppose any mandatory participation, but equity suggests that in those cases where the Federal employee desires to participate, he should have this option available

Senator ANDERSON. Will you identify your associate, please?

STATEMENT OF RICHARD E. MURPHY, ASSISTANT TO THE GENERAL PRESIDENT, SERVICE EMPLOYEES INTERNATIONAL UNION, AFL-CIO, ACCOMPANIED BY PAUL QUIRK, PRESIDENT, LOCAL 509, BOSTON, MASS.

Mr. MURPHY. I am Richard Murphy. I am assistant to the general president of Service Employees International Union, AFL-CIO, and legislative director for my union. With me today is Paul Quirk, who is president of our Service Employees local in Massachusetts.

Senator ANDERSON. Thank you.

Mr. MURPHY. Our statement by General President Hardy is or has been submitted for the record, and I will—it is short but I will summarize what it is saying.

There is one substantive change in the testimony, a correction on page 4, where we refer at the bottom of the page to some social services. The sentence should read, "We believe that the matching funds for States for all social services must be open ended."

The bill itself, H.R. 1, as I understand it, does provide for child care and family services as an open-ended appropriation.

Service Employees Union represents more than 36,000 employees of welfare departments throughout the United States serving in various classifications, including professional social workers with Ph. D's and M.A.'s, as caseworkers in all aid categories, and as eligibility assistance workers and clerical personnel.

We say, first of all, that we support and agree with the testimony that you are going to receive on Monday from the AFL–CIO. I understand it is in preparation but I have seen what they are going to say. Service Employees does support that.

We support the Ribicoff amendments to H.R. 1, and if you will pardon us calling them the Sargent-Ribicoff amendments because especially of our Massachusetts delegate who is present.

Our testimony centers on three points, one, protection of employee rights. In Mr. Ribicoff's amendments there is an amendment which would protect those employees who will be transferred from State and local employment to the Federal service. We believe this is eminently necessary not only for the morale of the workers but for the proper administration of the act should it be passed.

The second point is on our training and retraining, and the social services aspect. We believe that there should be an open-ended appropriation for social services. A closed-end appropriation means merely that there will be a diminution of services.

We think that you also should consider very seriously the greater training of social workers and caseworkers. It has been shown clearly that the whole program benefits by better trained workers.

Mr. Chairman, I would like at this time to ask Mr. Quirk to make a short statement if he may.

Senator ANDERSON. Without objection it will be done.

Mr. QUIRK. I wouldn't like to reiterate a lot of the testimony we heard today but there is one point I would like to make. When I first became a social worker in a welfare department in 1966, in the State of Massachusetts it was still administered by 176 local offices in cities and towns, and subsequent to that it was changed even to a State system wherein the State took over the welfare department in 1968, July 1, to be exact.

Subsequent to the State taking over the welfare department a proposition that is facing us, this committee and certainly the National Congress, chaos has ensued in the welfare department in Massachusetts ever since. We are still, in fact, in the year 1972, trying to determine who owns the buildings and the typewriters, and et cetera, et cetera, there is still litigation going on.

It was again, at the time it was proposed on the State level, a panacea that was offered to the welfare problem.

My point is, I think that the bill that is before you was somewhat similar on a national level to the bill that came before our State legislature, which eventually was passed. Since that time our State legislature has continually been trying various methods such as work registration, et cetera, to try to solve the so-called welfare problem all of which, it seems, they now say, the latest solution is, to give it to the National Government or have the Federal Government take it out of

their hands. But I would propose to you that that is not necessarily just as efficient possibly a solution as it was in 1968 for the State government to take it over, unless it is clearly thought through as to what the problems being presented are and whether or not they find this solution in a takeover.

Senator ANDERSON. Any questions?

(Prepared statement of Mr. Hardy and a communication subsequently received by the committee from Mr. Murphy, follow. Hearing continues on page 1766.)

TESTIMONY OF GEORGE HARDY, GENERAL PRESIDENT, SEIU—AFL–CIO

Service Employees International Union, AFL–CIO, represents more than 36,000 employees of Welfare Departments in California, Massachusetts, Pennsylvania, Rhode Island, Connecticut, and elsewhere in the United States.

Let us say, first of all, that we support and agree with the testimony you will receive from the AFL–CIO. We are in support of the Sargent-Ribicoff Amendments to H.R. 1. We must have a date certain for the elimination of poverty. We must have Federal assumption of welfare costs and provision for increasing payment levels up to a realistic poverty level. We do not think that arguments based on statements such as "It costs too much to try to eliminate poverty" should dare to surface when we recognize the true needs of the poor of our nation.

We must have protection for employees affected; we must have protection for recipients too—the Ribicoff Amendments provide all this and more.

We know that the AFL–CIO's testimony will address itself to the legislation as a whole and we therefore intend to dwell most particularly on some aspects of Welfare Reform which are of interest to our members.

PROTECTION OF EMPLOYEE RIGHTS

Various figures have been advanced with projections of the size of the Income Maintenance Administration which will become a part of the Department of Health, Education and Welfare. It seems safe to say that some 80,000 people will be employed in this new area in HEW. To make up that 80,000, the 36,000 employees we now represent will, for the most part, become Federal employees. We therefore have real concern for these empoyees and especially for the way they will be treated when a Federal take-over of them is accomplished.

We are happy that Senator Ribicoff has had the care and foresight to include among his Amendments one which sets out to protect the continuation of accrued rights during the transition from state to Federal administration of assistance programs.

These workers' lives will be drastically affected and, indeed, affected adversely if employee protection is not part of the bill.

HEW is at this very moment, and has been for some time, developing rules and regulations to effectuate the transfer of these employees. This conversion is an immensely important issue to our membership and this conversion itself is probably the biggest such task ever undertaken by the Federal Government. The six-year-old Civil Service Regulation governing conversion was not designed to deal with a task of this magnitude.

These procedures will regulate "how" a person is to be transferred into Federal employment and, to a great extent, it will also determine "who" will be transferred. The very difficult question of "how many" will be transferred will also depend on these rules and regulations. We believe that the Federal Government should be obligated to transfer as many welfare workers from the old system to the new system as is consistent with the efficient operation of the new welfare system. The question of "how many" will be transferred will be defined when the Department of HEW decides the individual workloads, supervisory ratios, the ratio of clerical backup, and the ratio of staffing to management. It is extremely important that both union and management have the opportunity for input in deciding these issues.

The aid of trade unions has not been enlisted in the preparation of these regulations being considered by HEW. We are attaching for the Committee's inspec-

tion a copy of these proposals to show you how far-ranging even these preliminary proposals are.

Unless the Amendment proposed by Senator Ribicoff is accepted by your Committee, there is a real probability that rights, privileges and benefits, including vacation rights, pension rights, credits, etc. will not be preserved for those who are presently employed in local jurisdictions. You must not allow this to happen.

An orderly transfer will be provided and the administration of the welfare reform will be enhanced and benefit greatly if the morale of these workers is kept high by insuring that there at least be no loss of benefits presently enjoyed.

Under the Ribicoff Amendments, collective bargaining rights will be continued and aid will be given for those employees not able to be hired into the Federal system. We also are strongly in favor of both of these provisions.

TRAINING AND RETRAINING PROGRAM AND SOCIAL SERVICES

Service Employees International Union and its affiliated Social Service Local Unions have for years been urging the states and localities where its membership is located to institute training programs—especially in *services* provided by State and County Welfare Departments.

We note that H.R. 1 incorporates a ceiling to be proposed for financial aid supplementing services to states and localities. We believe that it is impossible for you to take that position because it is impossible to determine and project the amount of services needed for any one locality. To place a limit beforehand on the amount of matching funds to Federal Government will provide is in effect to place a limit on services. It is impossible accurately to predict the total cost of services throughout the United States. Nevertheless, we believe that you must not limit Federal payments by a "closed end" proposal. We believe that the matching funds for states for child care and other family services must be open-ended. If a closed-end appropriation is offered, there will develop a natural diminution of services throughout the states because of the financial burden.

We are also anxious that training programs be provided for the employees we represent in order that the purposes of this legislation be accomplished. This, to our minds, includes training and retraining for the *services* at present provided under the welfare system. There are many and varied programs that could possibly be lost if steps are not taken to provide for them in legislation and closed-end funding will open the door to fewer services.

Studies provided to the Ways and Means Committee of the House of Representatives show the increased efficiency and worth of social and case workers who have had the benefit of special training programs. For the good of the administration of the proposed welfare reform, and more particularly, for the good of the beneficiaries of welfare, you must provide opportunity for better training and upgrading. At a time in history when we see attempts at releasing more and more patients from mental hospitals and making them outpatients, at a time when we find ever more returning veterans in need of more support services, you should try to stimulate the continuance and expansion of services by the states and counties and cities.

H.R. 1 does not encourage service programs but rather makes it seem likely that such service programs will be diminished. It opens the way to discourage expansion by imposing a ceiling on the Federal share for the states. We earnestly request that that ceiling not be set. The cost of this proposed welfare reform is clearly already high, but we ask that more serious consideration be given to subsidy and support for services that are not limited to an arbitrary figure but relate to the needs of the states. State and local governments will be more ready to cut back on services if you fail to do this, and the resultant harm to recipients will be immeasurable.

We thank you for permitting us to appear and present views on behalf of Service Employees International Union, AFL–CIO, and the welfare department workers we represent.

SUMMARY OF PRELIMINARY CONSIDERATIONS CONCERNING EMPLOYMENT RIGHTS AND BENEFITS FOR STATE/LOCAL TRANSFEREES UNDER WELFARE REFORM PROGRAM

1. APPOINTMENT, CONVERSION, AND TENURE

a. Appointment

The Secretary of HEW and the Secretary of Labor should be given blanket authority to appoint employees who are engaged in income maintenance functions (and support activities) at the State and local level from the enactment of the

Act until completion of the federalization of the function. For continuing positions the employees will be given special tenure appointment. Such employees will be eligible for conversion to career-conditional or career. If an employee is not recommended for conversion, or is recommended for conversion but the recommendation is not approved by the Commission, he could be retained as a status quo employee.

b. Conversion

Employees appointed under the authority granted in the act should be converted in accordance with the existing regulation with respect to conversion of incumbents of positions brought into the competitive service. However, employees who had a status under a State or local merit system similar to career-conditional or career would be exempt from the requirement of six months of satisfactory service prior to the transfer to be eligible for conversion.

c. Tenure

State/local employees presently employed in income maintenance activities being taken over will be accorded preference in selection for Federal Welfare Reform positions in their State or localities, provided they meet minimum qualifications for the positions. Actual determination as to which State/local employees would be appointed from any given jurisdiction would be based on negotiation between that jurisdiction and appropriate Federal officials, and on individual expressions of interest on the part of employees.

2. PAY

a. Salary retention

Provide for pay to be converted to nearest step at which no salary is lost or, if above the maximum step, to be retained two years for all employees transferred.

b. Eligibility for periodic step increases

State/local service should not be credited for determining eligibility for within-grade increases.

3. FRINGE BENEFITS

a. Annual leave

State/local should be credited for determining annual leave accrual rate. Provisions should not be made for transfer of accrued annual leave from State/local systems.

b. Sick leave

Provide for the transfer of accrued sick leave as a "cushion" to be available only after all Federal sick leave has been used. The reserve sick leave account would be forfeited upon separation or retirement and would not be credited for length of service determination for a Civil Service annuity.

c. Crediting service for RIF computation

Provide for State/local service to be credited in a reduction-in-force action. Also credit State/local service toward completion of the probationary period and career tenure.

d. Crediting service for severance pay

Provision should not be made for crediting State/local service for severance pay.

e. Crediting service for promotion seniority

Such weight as seniority carries in the Federal promotion system can be credited without legislative provision.

f. Retirement

Each employee having a vested annuity right under his State or local system on the effective date of Federalization would enter the Civil Service Retirement System as a new employee. Each employee not having a vested right would also enter the Civil Service Retirement System as a new employee, but with provision for increasing his retirement benefit as follows: At the time of death or retirement, if the basic service requirement of 18 months or 5 years, respectively, has been met, $120 for each year ($10 for each full month) of State or local service would be added to the employee's basic civil service annuity. This add-on would be included in the computation before, and would be subject to any reduction for survivor election or early retirement. It would also be treated as part

of the basic annuity for computation of widows' benefits or when being compared with 40% of High 3 average salary for the purpose of providing a guaranteed minimum disability benefit.

Eligibility for Civil Service retirement benefits would be governed by the generally applicable law and regulations for the Civil Service Retirement System. State or local service *would not count* toward *any* service requirement for annuity eligibility in the Civil Service Retirement System. Eligibility for the add-on would not be dependent upon a deposit in the Civil Service Retirement System. No deposit will be required irrespective of refunds from State or local service.

g. Health insurance

Since the Federal system provides adequate options and coverage there should be no provision for continuation in State/local plans nor for payment of a larger percentage of premium than is available to Federal employees generally. Provision should be made to credit State or local service for determining eligibility for continuation of health benefits coverage upon retirement from Federal service.

h. Life insurance

The Federal life insurance plan provides adequate coverage and therefore provisions will not be made for continuation in State/local plans nor will it provide for payment of a larger percentage of premiums. Provision shall be made to credit State or local service for determining eligibility for continuation of life insurance coverage upon retirement from Federal service.

i. Travel and transportation expenses

Provisions should be made for payment of moving expenses similar to those paid to a Federal employee who is transferred from one duty station to another if the transfer from State or local employment to Federal employment involves a comparable move.

4. COLLECTIVE BARGAINING RIGHTS

a. Negotiable issues and units

Practice should conform to applicable Federal laws and regulations.

b. Retention of existing agreements

Existing agreements and benefits derived from such agreements can be continued to the extent that they are consistent with, and could have been negotiated under applicable Federal laws and regulations. Benefits under agreements cannot vary from Federal law or regulations.

SERVICE EMPLOYEES INTERNATIONAL UNION,
Washington, D.C. February 16, 1972.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed herewith are copies of policy statements on H.R. 1, the Welfare Reform bill, which statements were adopted by Locals 535 and 576 of our organization.

I would greatly appreciate it if these position papers could be included in the record of your Committee's hearings on H.R. 1.

Sincerely,

RICHARD E. MURPHY,
Assistant to the General President.

SOCIAL SERVICES UNION,
LOCAL 535, AFL–CIO,
Oakland, Calif., January 31, 1972.

POSITION OF LOCAL 535 ON HR–1

Local 535 is in support of certain basic concepts in HR–1 which promise major genuine changes and improvements in the welfare system which will increase the cash income of millions of impoverished residents of the United States and its overseas territories.

In particular, we are in support of:

1. Expanded cash assistance and services for greatly increased numbers of those who need them.
2. Uniform federalized eligibility determination and grant administration.
3. Federally determined minimum income support levels with provisions for state supplementation where current aid grant levels are higher than the minimum national standard.
4. Nationwide federally administered and funded programs for public service employment, work training, and day care for children.

While we support those basic concepts of HR–1, we also recognize that the total package is not up to our ideal standards for welfare reform and we would work for the following improvements:

1. Adoption of a national goal to eliminate poverty by a specific date, not later than 1976. This would require an income floor at no less than the poverty level in consideration of the cost of living at that time.
2. Increases in the basic federal payment level for larger families—HR–1 provides no additional income for families larger than 8 persons.
3. Mandatory State Supplementation to begin the program and gradual State fiscal relief from all welfare costs by 1977.
4. Maximization of the recipients' options in relation to use of employment, training and child resources. In particular, a mother's participation in the work force should be voluntary.
5. No requirement to accept employment at wages below the federal minimum level should remain in the bill. In no way should a welfare program be used to subsidize sub-standard wages or other sub-standard conditions of employment.
6. Addition to HR–1 of a strongly-worded amendment to guarantee that first consideration for employment in administering the provisions of HR–1 be offered to state and local employees administering the current welfare system with adequate protection for their rights and benefits.
7. The provisions which forbid eligibility for aid to parents who are full-time college or university students and which specifically rule out of the definitions of "family" and "child" a woman with an unborn child are particularly onerous and should be eliminated. Any provisions which discourage optimum education and prenatal care are totally unacceptable.
8. In addition to the welfare provisions in Titles III and IV of HR–1 we support the improved Social Security insurance provisions in Title II. However, we oppose and urge elimination of the regressive Medicare and Medicaid proposals in Title II. In particular, the states should *continue to be required* to have comprehensive medicaid programs by 1977 and should not be permitted to eliminate or charge fees for such optional benefits as prescription drugs, eye glasses or dental care. Our position is strongly in favor of comprehensive preventive and remedial health care for everybody.

Submitted by:

DAVID D. CRIPPEN, A.C.S.W., *Executive Director.*

LOCAL 576,
SERVICE EMPLOYEES INTERNATIONAL UNION,
Boston, Mass., January 26, 1972.

General President GEORGE HARDY,
Service Employees International Union AFL–CIO,
Washington, D.C.

DEAR PRESIDENT HARDY: In regard to Mr. Murphy's recent letter in connection with the Hearings to be held regarding Federal take-over of Welfare, Local 576 Committee on Federal Take-over submits the following information:

1. PENSIONS

From all available information, our Committee feels that the most difficult problem facing Welfare employees in the transition to Federal Service would be the loss of current pension rights.

Massachusetts State employees presently have the best pension system in the country. The proposed Personnel Amendment to HR 1 as suggested by the Civil Service Commission and HEW provides:

A. Employees with vested pension rights must retire from State Service and begin a new pension system as a Federal employee.

B. Employees without vested pension rights would be credited after 18 months in case of death, and after 5 years $120.00 per year added to the Federal pension for each year of State or local service.

We recommended that:

a. A system such as exists in Employment Security i.e. Employees remain in the State pension system and the Federal Government reimburses the State for pension costs.

b. Or, in the alternative, an optional system in which the employees may choose to remain with the State system or enter the Federal Retirement system as was done for employees in the federalization of the National Guard—Public Law 90–486, 90th Congress, S. 3865, August 13, 1968.

Basic argument for this approach is that the tremendous loss of employees changing from State to Federal pension system would encourage a rash of retirements of the older experienced employees who are usually the backbone of the staff. Their services will be urgently needed in order to make the transition smooth and the new program effective.

2. JOB SECURITY

Every employee should be guaranteed a permanent position in the Federal Service with no Civil Service examination required and full credit should be given for all years of Local, County or State service.

3. SALARY

No loss of salary to any employee carried over. Employees over grade should be frozen at their rate until a Congressional pay raise is granted and no limitation as to the length of the frozen rate.

4. SICK LEAVE ACCUMULATION

The Civil Service and HEW proposal is for 30 days of carry-over accumulation sick leave. We feel that the full carry-over of sick leave should be allowed. The obvious factor of Welfare employees using up their sick leave prior to Federal take-over would result in a crippling effect in the performance of Welfare functions.

5. GROUP HOSPITAL-MEDICAL COVERAGE

A. Continuous coverage on all benefits should be allowed—no waiting period.
B. No physical examination should be required.

6. LIFE INSURANCE

No physical examination should be required.

7. EXISTING UNION CONTRACTS AND CERTIFICATIONS

Existing Union cotracts and Certifications should continue in effect.

8. SELECTION OF EMPLOYEES TO ENTER FEDERAL SERVICE

Determination of which employees remain with State Welfare, which employees to be taken over by the Assistance Benefit Administration, the Social Security Administration and the Labor Department should be a matter of negotiations or conference of Management and certified Unions.

Sincerely and Fraternally,

JOHN J. KEEFE, *President.*

Very truly yours,

ALICE NAUSS,
Chairman, Federal Take-over Committee.

Senator ANDERSON. Thank you very much. You have been patient and we appreciate it.

Mr. Minarchenko.

STATEMENT OF PAUL J. MINARCHENKO, DIRECTOR OF LEGISLATION, AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES, AFL-CIO

Mr. MINARCHENKO. Thank you, Mr. Chairman.

Members of the committee, our union of over 525,000 public employees includes some 30,000 persons who work for State, county, and municipal departments of public welfare. I speak principally in their behalf today and in part on behalf of the tens of thousands of other persons employed in the 3,500 public welfare offices throughout the United States. During the 2½ years that the issue of welfare reform has been before the Congress, now in the form of H.R. 1, there has been long debate and considerable controversy surrounding many features of this complex legislation. Witness after witness before you have discussed at great length matters of vital social policy. Our union shares these concerns and has added its voice to those who support the passage of meaningful reform legislation. H.R. 1 as passed by the House fails to meet our test and is a totally inadequate bill. It is for this reason we urge the modification of H.R. 1 as proposed by Senator Ribicoff's Amendment No. 559 as a first step toward real welfare reform.

However, my purpose today is not to engage in a philosophical debate about the issues of welfare reform which have been the focus of much public attenion. Throughout these hearings others will present testimony on such matters. My purpose today is to bring to the attention of the committee a major defect in the welfare reform legislation now before you; the elimination of the jobs of tens of thousands of experienced employees who now administer the welfare system.

Under titles III and IV of H.R. 1, the present Federal-State programs of welfare would be replaced by a new program administered by the Federal Government, including the probable Federal administration of any State supplemental payments a State may make above the basic Federal payments level.

This federalization of the welfare system will necessarily result in the transfer of eligibility and cash assistance payment functions from State and local governmental agencies to the Federal Government. However, no provision is made in H.R. 1 with respect to an estimated 90,000 public employees who presently perform these functions. Under H.R. 1 their jobs, in effect, would cease to exist, and the bill provides no individual employee protection with respect to his job security, rights and benefits. Consequently, if the bill passed in its present form, present State and local government welfare employees would be involuntarily unemployed. They would be forced to seek employment under the Federal programs as new hires—and even those who may be hired will suffer substantial losses in benefits and rights. In many cases they would be forced to attempt to find employment elsewhere in the public and private sector of our economy at a time when jobs are just not available.

It would be ironic to us if many of these people were forced to participate in the new welfare programs as recipients rather than as

gainfully employed individuals who possess the experience and skills which will be needed in administering the new Federal program.

I think it is well to point out at this time that one of the arguments that has continuously been advanced against the proposition of protecting these employees is the need to streamline existing welfare bureaucracy. H.R. 1, it has been said, would reduce the size of the present work force. Yet according to their own estimate, the Nixon administration has discussed that some 80,000 additional Federal employees working at 4,000 locations across the country would be needed to administer H.R. 1.

In the view of some people, and in particular those of HEW and the Civil Service Commission, the fate of these employees is a minor problem; a detail which can be resolved after the passage of H.R. 1.

We cannot accept that position. In fact, it runs counter to the rule of logic and reason in the implementation of a meaningful welfare reform program. Lacking specific provisions regarding the status and protection of State and local government employees who now administer the Federal-State welfare programs, the implementation of H.R. 1 will most certainly result in a multitude of personnel and administrative problems—an unnecessary burden which cannot help but limit the effective operation of the new welfare programs established by the bill.

We do not believe it is the intent of Congress to threaten the economic well-being of those State and local government employees who now administer the existing welfare programs. However, unless adequate employee protection provisions are included in H.R. 1, the enactment of this measure will represent a great injustice.

It is not possible to fully relate the very tragic human consequence of this problem. Men and women who have spent years at a job would be without employment even though their functions continued. Public employees who have accrued years of service toward retirement would suddenly be without credit for those years.

The State and local government employees who would be affected by H.R. 1 have a basic right to a degree of protection from arbitrary governmental action which will have a significant impact on their lives should H.R. 1 become law, and the Congress has a responsibility to insure that the rights of these citizens are not violated.

We submit that the improvements in the present welfare system must not be instituted at the expense of these citizens.

Mr. Chairman, we recognize that the best means of protecting these employees is through the maintenance of the existing system of State administration of a nationally uniform welfare system. However, if federalization is the will of the Congress, as the House has demonstrated in passing a similar bill twice, then other means of protecting these employees must be incorporated into H.R. 1.

Amendment 559 to H.R. 1 contains an adequate employee protection provision. This provision would assure that these State and local government employees are guaranteed job security, a continuation of collective bargaining rights, and full protection against any loss of salary, pension rights, seniority rights, past service credits for annual leave, and other terms and conditions of employment they presently enjoy.

In our prepared statement we outline numerous citations concerning the judicial and legislative precedents supporting our proposal.

There is, Mr. Chairman, a long history of congressional concern for the protection of employees, both those in the private sector and the public sector, whether Federal, State or local government employees.

In the interests of time I will not burden you with citing all of these. We have a rather technical statement.

Senator ANDERSON. We will include all of it in the record.

Mr. MINARCHENKO. Right. Our union believes that the Congress should apply to the Federal Government as an employer those concepts noted above which it has constantly applied to the private and public employers with respect to the responsibility of protecting the rights of employees.

It is clear that what Congress has decreed as to the protection of private and public employees, not only as to preserving their collective bargaining rights but as to the preservation of their retirement and other benefits in the Urban Mass Transportation Act, the Interstate Commerce Act, the National Labor Relations Act, the National Guard Technicians Act, the Rail Passenger Service Act and elsewhere the Congress can similarly decree for Federal employees, particularly those who become Federal employees or are otherwise in need of protection by virtue of the federalization of existing welfare programs now administered by State and local government welfare employees.

Beyond the legislative and judicial precedents discussed above, it is no exaggeration to state that, under the circumstances, the Congress in fact has a moral obligation to protect these public employees. They must not become, under the banner of reform, the victims of this legislation.

In adopting this legislation, the House failed to recognize this critical issue. We urge the members of the Senate Committee on Finance to correct this major defect in H.R. 1.

In concluding, Mr. Chairman, I would also like to point out that H.R. 1 also severely curtails the moneys which will be available for various social service functions, and also, therefore, represents a threat to the jobs of persons now performing social service tasks at the State and local level. These employees include social workers, children's counselors, homemakers, home economists and clerical workers. The cutback in funds comes at a time of rising caseloads. It will force economy measures which traditionally means personnel adjustments. We consider this an intolerable situation. In fact, it casts the Federal Government in the role of leading an assault on public salary levels.

I would point out that the Congress has consistently prohibited federally financed wage cutting in the private sector through the Davis-Bacon and Walsh-Healey Acts. Public employees are due no less consideration.

Amendment No. 559 would also alleviate their situation.

The CHAIRMAN (presiding). Let me just see if I understand you correctly. As far as the protection of the rights of employees are concerned, you say they need not have their seniority rights or their pay or anything else upset by the welfare bill that we pass. You would like to have those people protected by simply having the existing system of

State administration made nationally uniform, rather than having the Federal Government just take over their jobs.

Mr. MINARCHENKO. Mr. Chairman, what we say is that, quite candidly, the best way of protecting these people would be to maintain State administration.

The CHAIRMAN. Well, frankly, I think we have the votes to do that.

Mr. MINARCHENKO. We indicate that if we are going to have State administration, we must have a nationally uniform welfare system. It would be entirely inconsistent with our position on what we consider to be real welfare reform legislation to maintain the entire welfare system as it now exists.

If we had H.R. 1 or as modified by Senator Ribicoff with State administration, that is obviously the best way of protecting these State and local employees. There would in effect be no transfer.

However, the way the bill is now written, you have federalization, but these employees would be forced to seek employment as "new hires," and in most cases they would be involuntarily unemployed, they would be eligible for welfare assistance.

The CHAIRMAN. Well, frankly, the matter first came up in a previous Congress. It seemed to me at that time that the best we could do would be to provide some job preference or at least some consideration for your members in employment under a new Federal program. But the more I think about it, the more I am convinced that the answer is to simply continue State administration, and if we do that, we don't have to give you any job preferences, you are already in the job, isn't that right?

Mr. MINARCHENKO. That is correct. Our concern, however, and the reason we state both points is that the House, as you know, has passed, 2 years in a row, a federalization bill.

The CHAIRMAN. Frankly, I have been counting the noses, you have the votes right here in this committee to keep it with State administration. Why would you want to settle for anything less? In other words, if you want to ask us what to do, there is no doubt in my mind there are enough votes here in this committee to retain State administration of it. Why would you want to ask for anything less than that if we have the votes to do it?

Mr. MINARCHENKO. Mr. Chairman, I think perhaps you misunderstood my remarks. In terms of presenting our testimony, we are, of course, speaking to the bill as currently before you in terms of H.R. 1, and in terms of any recommendations that we would have for improving that particular document. We are asking that if the will of the Congress does become federalization in existing programs, that it must contain statutory protections for State and Government local employees. Obviously, if it is the will of the Senate to adopt the State administration of a national welfare program, that would also provide protection for existing employees.

The CHAIRMAN. Well, if I detect the views of the members of this committee, the overwhelming majority is in favor of retaining State administration.

Now, the degree to which we will require uniformity is really irrelevant as far as the rights of employees in the program are concerned. You are speaking for loyal people, who have worked down

through the years for the program, and gained some seniority and civil service rights. In some States, they have been permitted to negotiate collectively, but are they permitted to go out on strike under the law?

Mr. MINARCHENKO. I think the newspaper accounts indicate that public employees do have occasions to strike, Senator. Two States at the present time do have a limited right-to-strike legislation, the States of Pennsylvania and Hawaii.

The CHAIRMAN. Well, I am not complaining if they have the right, but in some States they don't. But in any event, if they have done the best they could to do a job, I don't see why they should be dismissed from their jobs or made insecure, and I think that that is the view of the overwhelming majority on the committee.

If your people will get busy and contact these other State employees so they can contact their Senators, I am confident that the bill will come out of this committee regardless——

Mr. MINARCHENKO. As you well know, Senator, there has been a stream of activity from the State of Louisiana and other States.

The CHAIRMAN. Frankly, your people have been well represented. I was inclined to vote the other way, but the representatives of the employees in Louisiana working together, and speaking through their State president, Victor Busse, explained their views to me, and they were so persuasive about it I was persuaded they were right, and so I would support that amendment you are talking about if we did have federalization, but I don't think we need to have complete federalization.

It appeals to this Senator that no matter how much uniformity the Senate might see fit or the Congress might see fit to require, that we ought to just retain a State administration here. That would have a lot of advantages. So if your people get busy, as they have in Louisiana, and contact their Senators, I don't think you are going to have any problem.

I would suggest to you though that you would be making a mistake to pursue the remedy of job protection under a completely Federal program, if you have the votes to maintain what is your first preference and that is to retain State administration.

Mr. MINARCHENKO. Your point is well taken, Senator.

The CHAIRMAN. Any questions?

Senator CURTIS. How many employees are involved in all the States?

Mr. MINARCHENKO. Well, concerning the estimates, as you know, there is much dispute. The closest that our research department comes up to, Senator, is in the neighborhood of 80,000. It is difficult to estimate, since in many cases you don't have a clear-cut distinction between those who perform clerical, the eligibility intake function, and those who perform professional services. In many States, you have people doing both. As a consequence, the numbers game is a little bit difficult to be accurate with.

I would say that 80,000 has been the most reliable figure that we have heard.

Senator CURTIS. Are you directing your remarks to both the professionals and the clericals?

Mr. MINARCHENKO. No. These are the people that we believe are directly involved in those functions which would be directly affected by

this bill. We are talking not primarily about professional caseworkers, although, in some cases, a professional caseworker performs both social service functions and the eligibility function and other intake functions, administrative functions.

Senator CURTIS. Thank you very much.

Mr. MINARCHENKO. Thank you, Senator.

(Prepared statement of Mr. Minarchenko follows:)

STATEMENT OF PAUL J. MINARCHENKO, DIRECTOR OF LEGISLATION, ON BEHALF OF AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES

The American Federation of State, County, and Municipal Employees is a union of over 525,000 public employees. Included in our membership are some 30,000 persons who are employed by the State, county, and municipal departments of public welfare engaged in the administration of the present welfare system. We appear here today primarily on their behalf and, in part, in behalf of the tens of thousands of other persons employed by the 3,500 State, county, and local public welfare offices throughout the United States, who would be adversely affected by the welfare provisions of H.R. 1 as it passed the House of Representatives.

WELFARE REFORM—THE NEED FOR EMPLOYEE PROTECTION PROVISIONS

Background—The Problem

Under Titles III and IV of H.R. 1, the present Federal-State programs of aid to the aged, blind and disabled and aid to families with dependent children (AFDC) would be replaced by new programs administered by the Federal government, including the probable Federal administration of any state supplemental payments a state may make above the basic Federal payments level.

This "Federalization" of the welfare system will necessarily result in the transfer of eligibility and cash assistance payment functions from state and local governmental agencies to the Federal government. However, no provision is made in H.R. 1 with respect to an estimated 90,000 public employees who presently perform these functions in some 3,500 state, county and local public welfare offices throughout the nation.

H.R. 1 threatens to eliminate the jobs of these thousands of experienced public employees—their jobs, in effect, would cease to exist and the bill provides no individual employee protection with respect to his job security, rights and benefits.

Consequently, if H.R. 1, as it passed the House, were enacted into law, present state and local government welfare employees would be involuntarily unemployed. They would be forced to seek employment under the Federal programs as "new hires"—and even those who may be hired will suffer substantial losses in benefits and rights—or attempt to find employment elsewhere in the public and private sector of our economy at a time when jobs are just not available. It would be ironic if many of these people were forced to participate in the new welfare programs as recipients rather than as gainfully employed individuals who possess the experience and skills which will be needed in administering those programs.

In the view of some people, the fate of these employees is a minor problem; a detail which can be resolved after the passage of H.R. 1.

We cannot accept that position. In fact, it runs counter to the rule of logic and reason in the implementation of meaningful welfare reform. Lacking specific provisions regarding the status and protection of state and local government employees who now administer the Federal-State welfare programs, the implementation of H.R. 1 will most certainly result in a multitude of personnel and administrative problems—an unnecessary burden which cannot help but limit the effective operation of the new welfare programs established by the bill.

We do not believe it is the intent of Congress to threaten the economic well-being of those state and local government employees who now administer the existing welfare programs. However, unless adequate employee protection provisions are included in H.R. 1, the enactment of this measure will represent a great injustice.

It is not possible to fully relate the very tragic human consequence of this problem. Men and women who have spent years at a job would be without employment even though their functions continued. Public employees who have accrued years of service toward retirement would suddenly be without credit for those years.

The state and local government employees who would be affected by H.R. 1 have a basic right to a degree of protection from arbitrary governmental action which will have a significant impact on their lives should H.R. 1 become law, and the Congress has a responsibility to insure that the rights of these citizens are not violated. The improvements in the present welfare system must not be instituted at the expense of these citizens.

During the course of the Committee's hearings, you have heard substantial testimony by many individuals and organizations concerning the many serious defects in H.R. 1 as it passed the House and its failure to adequately deal with a number of major problems of the present welfare system. We add our voice to those who oppose H.R. 1 in its present form and urge the adoption of Amendment #559, introduced by Senator Ribicoff and others, as a step toward meaningful welfare reform.

However, while there are many points of controversy surrounding this complex legislation, our principal concern is the protection of an estimated 85,000 public employees who now administer the welfare system.

Adequate Employee Protections

We recognize that the best means of protecting these employees is through the maintenance of the existing system of state administration of a nationally uniform welfare system. However, if "Federalization" is the will of the Congress, then other means of protecting these employees must be incorporated into H.R. 1.

Amendment #559 to H.R. 1 contains an adequate employee protection provision. This provision would assure that these state and local government employees are guaranteed job security, a continuation of collective bargaining rights, and full protection against any loss of salary, pension rights, seniority rights, past service credits for annual leave, and other terms and conditions of employment they presently enjoy.

Title IV, Part D, Section 2173 ("Administration") of H.R. 1 would be amended to require the Secretary of Health, Education and Welfare, the Secretary of Labor, and any state, where an agreement is made under the Act between a state and the Federal government, to protect individual employees who presently perform functions which would be assumed by the Federal government "against a worsening of their position with respect to their employment", including assurances of employment by the Federal government under the new welfare programs or continued employment by a state or local unit of government. The Secretary of Labor is further charged with the responsibility to certify that fair and equitable employment arrangements have been made, in accordance with the requirements of this provision, to fully protection the interests of such employees.

Rationale and Precedents

There is a long history of Congressional concern for the protection of employees, both those in the private sector and the public sector, whether Federal, state or local government employees.

A starting point in the evolution of the development of employees protective conditions through federal legislation is the Emergency Railroad Transportation Act enacted in 1933 which provided for a form of job freeze for railroad employees. In 1940, Congress enacted Section 5(2) (f) of the Interstate Commerce Act requiring that as a condition of approval of railroad mergers and consolidations by the Interstate Commerce Commission there must be a fair and equitable arrangement to protect the interest of employees affected and that a four-year period the transaction will not result in the employees being in a "worse position with respect to their employment."

A clear judicial mandate for such protection is found in *U.S.* v. *Lowden, 308 U. S. 225;* and *ICC* v. *Railway Labor Executives Association,* 315 U.S. 373. Similar grants of employee protective conditions by the Civil Aeronautics Board are customary and the Board's power to impose such conditions has been upheld. (*Kent* v. *CAB,* 204 F. 2d 236 (CA2), *cert. den.* 346 U.S. (826)).

Congress in 1943 provided employee protection for employees of telegraph companies involved in consolidation of mergers, 47 U.S.C. 222 (f), patterned generally after the employee protective provisions developed by the ICC, but containing

specific provisions developed by the ICC for preservation of pension, health, disability or death insurance benefits and preservation of employee rights under collective bargaining agreements.

Most recently the Congress asserted these principles in the Rail Passenger Service Act of 1970 (Public Law 91–518). In establishing the National Railroad Passenger Corporation (Amtrack) the Congress required that "a railroad shall provide fair and equitable arrangements to protect the interests of employees affected by discontinuance of inter-city rail passenger service whether occurring before, on, or after January 1, 1975". (Section 405.)

Congress has not merely required employee protection, including but not limited to the preservation of jobs and benefits, but also of collective bargaining contracts as to both private and public employees. Thus, in *California* v. *Taylor*, 353 U.S. 553, the Supreme Court held that the State of California which operated a State-owned railroad must bargain collectively under the Railway Labor Act with the union which represented its employees and the Court held further that the California civil service system and anti-strike law were superseded by the Federal Act.

As long ago as 1950, the Social Security Act was amended with regard to local government employees to provide municipalities which were operating mass transportation systems which became publicly operated after 1937 (with one exception) must mandatorily bring their employed under the coverage of the Social Security Act, 42 U.S.C. 410(k).

The Urban Mass Transit Act of 1964, Public Law 88–365 (now 49 U.S.C. 1609 (c)), provides broad and expansive employee protective conditions as a prerequisite to the granting of any Federal financial assistance under the Act. Transit employees, public or private, are protected in their jobs, in the preservation of their collective bargaining rights, pensions and other benefits, and against the worsening of their positions with respect to their employment. Similar labor standard provisions are contained in the High Speed Ground Transportation law, 49 U.S.C. 1636, and in the law establishing the Washington Metropolitan Area Transit System, 40 U.S.C. 682(3).[1]

Congress through amendments to the Fair Labor Standards Act has in fact determined the minimum wages to be paid by states and their political subdivisions with respect to employees of hospitals, institutions and schools operated by them. (29 U.S.C. 203(s) and 203(d). The Supreme Court in *Maryland* v. *Wirtz*, 392 U.S. 183, upheld the constitutional power of Congress to apply the FLSA to state or Municipal employees.

Technicians employed by the National Guard were made employees of the United States by the National Guard Technicians Act of 1968, P.L. 90–486, and service credits prior to the effective date of the Act were afforded for various purposes including the determination of length of service for purposes of leave, employee death and disability compensation, group life and health insurance, severance pay, tenure, and status and, with some modifications, for retirement benefits. Annual leave and sick leave to which a technician was entitled prior to the conversion of his position from state to Federal employment were credited to him in his new position. (P.L. 90–486 Sec. 3.) Compensation in excess of the maximum of the appropriate grade provided under the General Schedule was protected when the technicians were brought under the General Schedule. (P.L. 90–486 Sec. 8.).

Conclusion

There can be no serious question as to the right of Congress to enact legislation governing the employment of Federal employees including provisions as to their compensation, hours, benefits (including retirement benefits), tenure and other conditions of employment. Congress has traditionally and repeatedly done so. (See, for example, Title 5 U.S.C. 5101 ff.).

Further, the Congress may, of course, subject to constitutional limitation, impose the conditions upon which it will grant moneys to the States or other public agencies. In *King* v. *Smith*, 392 U.S. 309, 333, the Supreme Court said, "There is of course no question that the Federal Government, unless barred by some controlling constitutional prohibition, may impose the terms and conditions

[1] Existing federal case law as developed by the National Labor Relations Board under the NLRA requires that successor employers be bound by a collective bargaining agreement between the predecessor employer and the union which represents it employees. (Burns International Detective Agency, Inc., 182 NLRB No. 50.)

upon which its money allotments to the States shall be disbursed, and that any stated law or regulation inconsistent with such federal terms and conditions is to that extent invalid. (See *Ivanhoe Irrigation District* v. *McCraken*, 357 U.S. 275 (1958); *Oklahoma* v. *Civil Service Commission*, 330 U.S. 127. 143 (1947)).

AFSCME believes that the Congress should apply to the Federal government as an employer, those concepts noted above which it has consistently applied to private and public employers with respect to the responsibility of protecting the rights of employees.

It is clear that what Congress has decreed as to the protection of private and public employees, not only as to preserving their collective bargaining rights but as to the preservation of their retirement and other benefits in the Urban Mass Transportation Act, the Interstate Commerce Act, the National Labor Relations Act, the National Guard Technicians Act, the Rail Passenger Service Act and elsewhere the Congress can similarly decree for Federal employees, particularly those who become Federal employees or are otherwise in need of protection by virtue of the "Federalization" of existing welfare programs now administered by state and local government welfare or employees.

Beyond the legislative and judicial precedents discussed above, it is no exaggeration to state that under the circumstances, the Congress in fact has a moral obligation to protect these public employees. They must not become, under the banner of "reform", the victims of this legislation.

In adopting this legislation, the House failed to recognize this critical issue. We urge the Members of the Senate Committee on Finance to correct this major defect in H.R. 1.

The CHAIRMAN. The next witness is Mr. Fred Gaboury. You had better help me correct the pronunciation. Is that how you pronounce it?

Mr. GABOURY. Gaboury, sir.

The CHAIRMAN. Mr. Gaboury, cochairman of the National Coordinating Committee for Trade Union Action and Democracy.

STATEMENT OF FRED GABOURY, COCHAIRMAN, NATIONAL COORDINATING COMMITTEE FOR TRADE UNION ACTION AND DEMOCRACY

Mr. GABOURY. I am Fred Gaboury, sir, the national field organizer for the National Coordinating Committee for Trade Union Action and Democracy, and the thought occurs to me, sir, for 25 years I worked in the logging industry on the west coast, and it came as a surprise to me sometime in my career to realize that the State of Louisiana outranked the State of Washington as a lumber producer. Washington now is fifth, I believe now, and Louisiana with Alaska added to the Union is third and that came as a surprise to me. I hope it comes as welcome news to your committee. Unfortunately, I have to report, sir, that the average wage paid to people in the forest products industry in Louisiana is hardly more than half paid to those in the State of Washington.

The National Coordinating Committee for Trade Union Action and Democracy represents a movement of rank and file union members who are determined to defend their unions and their standards of wages and working conditions. We sense that H.R. 1, parading as welfare reform is, in fact, designed to undermine these standards.

The proponents of H.R. 1 are counting on the effectiveness of racist propaganda which has "established" that blacks, chicanos, Puerto Ricans, American Indians—any unemployed minority—are "lazy," "shiftless," "living high on welfare," to slip the bill through this committee.

I want to just focus in on one aspect of the legislation, and to illustrate it by three examples that have come to our attention and that is that the requirement that people register and accept employment or forfeit their right to draw welfare, and we want to quote from a letter from Brother Dick Massman, Director of Council 48 of the American Federation of State, County, and Municipal Employees, reporting from Milwaukee, where he says in his letter and I quote:

Chapter 50 of Milwaukee County Ordinance provides the requirement of recipients to sign up for the "county Work Experience Training Project," CWETP. Five-hundred positions were allocated by the county board at $1.60 per hour, 40 hours a week.

These people are assigned to various departments in the county work area which is represented by District Council 48, AFSCME. The recipients are to work alongside of, not replace our members. However, they actually do the same work, filling in for vacancy, understaffing, etc. This situation—recipients forced to do our work at half wages—is a violation of the ordinance, though we find it difficult to police. These people should be given regular employee status at union wages.

Very briefly, this is how the system works: (1) "General Assistance Applicant" signs for welfare; (2) potential recipient gets CWETP job instead. If he or she refuses the CWETP job, welfare assistance is denied.

The county board is talking about raising the job allocations to 1000.

I personally interviewed many of these CWETP workers and it comes as no surprise that welfare costs are being cut. These human beings are subjected to intolerable degradation by being forced to work at "scab" wages and conditions.

This system is justified on the basis of training recipients to be "employable," just as the H.R. 1 proposes. I don't have to tell you that it's not true. In many cases these people had jobs; were laid off; ran out of unemployment compensation benefits; couldn't find a job and applied for welfare. Now they are being trained for jobs that do not exist or to replace other workers at substandard wages.

And he cites a case of a woman, Virginia Paul, who was doing custodial work for the county as a CWETP employee at $1.60 per hour. At a later date she was hired by the county to do the same job as a custodial worker at union pay, about $1 an hour more. After working as a regular employee she received excellent efficiency ratings from her superiors. While working as a regular employee she was given a physical and failed for high blood pressure. She was then terminated prior to completing the 6-month probationary period. She reverted back to CWETP status, doing the same job at less money, $1.60.

Or let's take the example of Ethnic Enterprises in Milwaukee. In the Friday, December 17, 1971, issue of the Congressional Record, Representative Les Aspin of Wisconsin praises a Mrs. Saint Charles Lockett for establishing a business known as Ethnic Enterprises employing only women drawn from the Milwaukee, Wis., welfare rolls. Mrs. Lockett's ostensible purpose is stated to be "to provide welfare mothers with the necessary skills and training so that they can find better paying jobs and more secure jobs in the Milwaukee industrial community.

The National Coordinating Committee describes this type of work as labor at forced or substandard wages. Let me elaborate.

Let me briefly elaborate. Ethnic Enterprises is located across the street from the Milwaukee County Welfare building. Welfare recipients are hired at $1.60 an hour with no fringe benefits. If a welfare recipient were to refuse employment at Ethnic Enterprises, benefit checks would be stopped.

Assembly work there is being performed on a contract basis for American Motors, Allen Bradley, and other major manufacturing concerns. Similar work performed at those plants would pay over $3 an hour under union contracts. Allen Bradley had workers still on layoff when they contracted work at these scab wages.

Let me go to just one other case, the case of Miss Diane Stokes who graduated in 1968 from the University of Illinois with a bachelor of arts degree. She has worked as a writer, a researcher, and photographer, and is presently out of work, unable to draw unemployment compensation. She came to our office the first of the week and asked if it were possible for her to work for us—in any capacity. When asked what her present outlook was, she said that she was going to have to go on welfare the 1st of February if she couldn't find a job.

We ask this committee, what kind of job training do you see for Diane were H.R. 1 with its work provisions to become law? Or better yet, what kind of job training would you foresee for the young black woman, a high school graduate with no work experience, who is presently on welfare? Is she to have her skills raised to the level of Diane's, or—and we consider this more likely—is Diane to be forced into work at $1.60 an hour? Frankly, we see both Diane and those presently on welfare as being forced into an "up the down staircase" situation. They are examples in life of the true meaning of the down-and-out pattern that has become the hallmark of the present administration and Congress—in social legislation as well as in football.

The power and wealth of our Nation is based on the bedrock of the production of goods and services. We have the economic resources, the scientific and technological skills, and the manpower to produce more than enough to meet the needs of all the people.

There is no sane reason for permitting the underutilization of our facilities on the one hand and mass unemployment on the other, while the needs of the people are largely unmet.

The National Coordinating Committee for Trade Union Action and Democracy stands foursquare for Federal legislation that will provide jobs and training for all who need it. When we talk about jobs, we are talking about jobs that will enable a worker—man or woman; black, brown, red, or white—to maintain himself and his family in comfort and decency.

As rank-and-file workers, we say: This does not mean forced labor at $1.20 an hour or at $1.60 an hour. It means work at wages and conditions that will enable a worker and his family to at least enjoy the moderate standard of living established by the U.S. Department of Labor.

So, Mr. Chairman, I close with that, and thank you for the opportunity to present our views before this committee.

The CHAIRMAN. Thank you very much.

(Prepared statement by Mr. Gaboury follows:)

STATEMENT OF THE NATIONAL COORDINATING COMMITTEE FOR TRADE UNION ACTION AND DEMOCRACY, PRESENTED BY FRED GABOURY, NATIONAL FIELD ORGANIZER, NCCTUAD

The testimony of NCCTUAD will argue:

1. That the forced work provisions of HR 1 are designed to destroy the value of federal minimum wage legislation and to undercut union wages and working conditions.

2. That proponents of HR 1 count on the effectiveness of racist propaganda to keep Blacks, Chicanos, Puerto Ricans, American Indians and other minorities at substandard wages and working conditions.

3. That the "welfare" problem is a "jobs" problem—if private industry cannot provide jobs then the federal government must do so.

4. That in order to meet the needs of our people the jobs provided by government must be in the area of social construction (schools, housing, medical care) rather than military production.

The National Coordinating Committee for Trade Union Action and Democracy represents a movement of rank and file union members who are determined to defend their unions and their standards of wages and working conditions. We sense that HR 1, parading as welfare reform is, in fact, designed to undermine these standards.

We are pleased to appear before this committee to present our views.

Long term and growing unemployment is an ugly fact of life in the U.S. today, and the standards of living of those workers who are still employed is declining.

In the period from January 1969 to October 1971 the rate of inflation increased by 50%. The acknowledged rate of unemployed rose from 3.6% in 1968 to 6.1% as 1971 came to a close. No longer counted are the thousands who each week exhaust their unemployment benefits and the more than 800,000 "discouraged workers" who have given up looking for nonexistent jobs.

The number of families forced onto the welfare rolls bears a direct relationship to the number of heads of families forced out of employment. Both phenomena are the end result of a deliberate program to control inflation by creating unemployment. Although the Nixon administration must bear major responsibility, both the Houses of Congress must be held accountable as well, for allowing this situation to exist and, worse yet, to continue.

What can be the effect of a forced work program in a situation where the number of available jobs is declining and the army of unemployed is growing? The forced work provisions of HR1 require anyone on welfare over the age of sixteen to accept work at three-fourths of the federal minimum wage; thereby, gutting minimum wage legislation and giving Government sanction to the drive to undercut union wages and working conditions.

If this committee allows the HR 1 to become law, we can expect this following example from Milwaukee, Wisconsin to become the general pattern. [Brother Dick Massman, Director of Council 48 of the American Federation of State, County, and Municipal Employees, AFL–CIO reports:

"Chapter 50 of Milwaukee County Ordinance provides the requirement of recipients to sign up for the "County Work Experience Training Project", CWETP. 500 positions were allocated by the county board at $1.60 per hour, 40 hours a week.

"These people are assigned to various departments in the county work area which is represented by District Council 48, AFSCME. The recipients are to work along side of, not replace our members. However, they actually do the same work, filling in for vacancy, understaffing, etc. This situation—recipients forced to do our work at half wages—is a violation of the ordinance, though we find it difficult to police. These people should be given regular employee status at union wages.

"Very briefly, this is how the system works: (1) 'General Assistance Applicant' signs for welfare; (2) potential recipient gets CWETP job instead. If he or she refuses the CWETP job, welfare assistance is denied.

"The county board is talking about raising the job allocations to 1000.

"I personally interviewed many of these CWETP workers and it comes as no surprise that welfare costs are being cut. These human beings are subjected to intolerable degradation by being forced to work at 'scab' wages and conditions.

"This system is justified on the basis of training recipients to be 'employable,' just as the HR 1 proposes. I don't have to tell you that it's not true. In many cases these people had jobs; were laid off; ran out of unemployment compensation benefits; couldn't find a job and applied for welfare. Now they are being trained for jobs that do not exist or to replace other workers at sub-standard wages.

"There is one case I find hard to believe. A woman, Virginia Paul, was doing custodial work for the county as a CWETP employee at $1.60 per hour. At a later date she was hired by the county to do the same job as a custodial worker at union pay, about $1.00 an hour more. After working as a regular employee she

received excellent efficiency ratings from her superiors. While working as a regular employee she was given a physical and failed for high blood pressure. She was then terminated prior to completing the 6 month probationary period. She reverted back to CWETP status, doing the same job at less money, $1.60."

Or again, from Milwaukee: In the Friday, December 17, 1971, issue of the Congressional Record, Representative Les Aspin of Wisconsin praises a Mrs. Saint Charles Lockett for establishing a business known as Ethnic Enterprise employing only woman drawn from the Milwaukee Wisconsin welfare rolls. Mrs. Lockett's ostensible purpose is stated to be "to provide welfare mothers with the necessary skills and training so that they can find better paying jobs and more secure jobs in the Milwaukee industrial community." We describe it as forced labor at sub-standard wages.

Let me briefly elaborate: Ethnic Enterprises is located across the street from the Milwaukee County Welfare building. Welfare recipients are hired at $1.60 an hour with no fringe benefits. If a welfare recipient were to refuse employment at Ethnic Enterprises, benefit checks would be stopped.

Assembly work there is being performed on a contract basis for American Motors, Allen Bradley and other major manufacturing concerns. Similar work performed at those plants would pay over $3 an hour under union contracts. Allen Bradley had workers still on layoff when they contracted work at these scab wages.

Let's take a further look at this question of training for jobs, this time from Albuquerque, New Mexico. Lorenzo Torrez, a copper miner, describes an unofficial visit with a brother Chicano who is a director of a youth training center. Torrez quotes the director: "Out of 700 kids that have graduated from the center in the past three years, jobs could be found for only 13."

Or consider the case of Diane Stokes, a 1968 graduate from the University of Illinois with a BA in Art. Having worked as a writer, researcher and photographer, she is presently out of work and unable to draw unemployment compensation. Diane came into our office the first of the week and asked if it were possible for her to work for us—in any capacity. When asked what her present outlook was she said that she was going to have to go on welfare the first of February if she couldn't find a job.

What job training would this Committee see for Diane were HR 1 with its work provisions to become law? Or better yet, what kind of job training would you foresee for the young black woman, a high school graduate with no work experience, who is presently on welfare? Is she to have her skills raised to the level of Diane's or—and we consider this morel ikely—is Diane to be forced into work at a dollar sixty an hour. Frankly, we see both Diane and those presently on welfare as being forced into an "up the down staircase" situation. They are examples in life of the true meaning of the down and out pattern that has become the hallmark of the present Administration and Congress—in social legislation as well as in football.

The proponents of HR 1 are counting on the effectiveness of racist propaganda which has "established" that Blacks, Chicanos, Puerto Ricans, American Indians—any unemployed minority—are "lazy," "shiftless," "living high on welfare," to slip the bill through this committee.

President Nixon has said: "The good life is not the lazy life or the empty life that consumes without producing." The National Coordinating Committee for Trade Union Action and Democracy says: "If private industry can't or won't provide jobs, the government must!"

The power and wealth of our nation is based on the bed-rock of the production of goods and services. We have the economic resources, the scientific and technological skills, and the manpower to produce more than enough to meet the needs of all the people.

There is no sane reason for permitting the under-utilization of our facilities on the one hand and mass unemployment on the other, while the needs of the people are largely unmet.

Military production wastes manpower, tax revenues, facilities and resources, contributing to inflation and environmental pollution. Meanwhile the cities decay, education and medical care deteriorate, unemployment rises, and poverty stalks the land.

NCCTUAD stands foursquare for federal legislation that will provide jobs and training for all who need it. When we talk about jobs we are talking about jobs that will enable a worker—man or woman, black, brown, red or white—to maintain himself and his family in comfort and decency.

As rank and file workers we say: "This does not mean forced labor at $1.20 an hour, or at $1.60 an hour. It means work at wages and conditions that will enable a worker and his family to at least enjoy the moderate standard of living established by the United States Department of Labor."

I close with several stanzas from a poem written in another day when similar attempts were being made to use the unemployed to drive down wages and when, as now, those in high places attempted to blame the poor for their own poverty:

Ah, the men with dollars, so many times,
Have peeped in our dreary world of dimes,
And I hear that people in brandnew clothes
Meet in the cities to speak of our woes.

And one of them said that my child was weak,
That its twisted bones and its pale white cheek,
Could be cured with food and warmth and sun,
And that something drastic must be done.

That our social system had gone amiss,
And things could never go on like this.
And I know it is true, what the gentleman said,
For he never came back—and my child is dead.

There is only one way to improve H.R. 1 and that is to kill it!

Senator BENNETT. Mr. Chairman, I think the entire committee, and I am referring to those who were present to hear Dr. Roger Freeman yesterday, felt he had put in a great deal of time and collected a great many valuable facts and statistics, and analysis and gave us the benefit of his observation of welfare in a number of other countries, and it seems to me it would be very valuable to all of the Senators, and I would like to ask unanimous consent that the chairman be authorized to have it printed as a separate document and to be worked out as the staff would handle it.

The CHAIRMAN. I would hope we can agree to that. I sat up last night and read Mr. Freeman's statement, every word of his entire presentation, and I must say that he provides a veritable gold mine of information that has not hitherto been so clearly available to this committee. I don't know of any witness who brought such a breadth of research and such broad documentation for the statements that he had to make and provide so much background information that can be used by the committee. I think it would be useful to every Senator in the debate on this subject.

It might be appropriate that every Member of the Senate have a copy of his statement available to him, particularly in view of all the documentation. Other Senators have been using the background data provided by this witness, and I think it would be desirable that they have it available to them so that they could use it.

Now it may be that the Department of HEW could point out some statistics might be in error or that they might want to make a commentary with regard to some of the points the witness made, and I would welcome it. I would be happy to have all the information that can be made available.

Senator CURTIS. Would the chairman yield right there? The Department has ways of getting their own documents published and, of course, we have never, never turned them down here in certainly everything they offered.

The CHAIRMAN. Oh, no.

Senator CURTIS. I consider this in the same category as much of the fine material our fine staff work out. We don't just bury that in the hearing but make it a separate pamphlet so it is a working paper, so it is convenient.

The CHAIRMAN. Frankly, we have had many good statements for and against, and I would certainly advocate that every Senator ought to read the best statements that are made on both sides of this crucial issue. Mr. Freeman's statement is the best statement critical of the family assistance plan.

Now, I would certainly be willing to show the same consideration for equal length of those who feel that the plan is everything that the doctor ordered, whichever statement they would care to have designated to also be made available. But I just think the Senator is correct. This is a magnificent piece of research and should be made available to every Senator.

Senator FANNIN. Mr. Chairman, I support both the distinguished Senator from Nebraska's and your statement in their desire to have this accomplished and I think it would be extremely beneficial. I am just sorry more people have not had the opportunity, all of the Senate, to have heard Dr. Freeman. He is a man of excellent background, expertise, he has made a study of this for years, he has traveled extensively, and does not have a selfish viewpoint at all. He is very objective in his viewpoint.

The CHAIRMAN. Well, of course, the witness made a very fine personal statement, a fine summary of his position, and that, of course, will appear in the record, but I think of the pieces of independent research that have been provided to this committee, this statement by Mr. Freeman takes the prize. I think it is as fine a piece of research and documentation as has been presented to the committee in the many long hearings we have had on the subject. So I certainly hope we could agree to just make the information available to the Senate and without objection we will agree to do that.

Then the committee will now stand in recess until Monday morning. We will have some very impressive witnesses again Monday, including the Honorable Barry Goldwater, and Andy Biemiller, representing the AFL–CIO; Mr. Roy Green, director of the Welfare Department of the California Chamber of Commerce, and Mr. Hector Sanchez of the National Federation of Student Social Workers. But the pressure on the committee will not be as great on Monday as today I am happy to say.

I want to thank Senator Anderson, Senator Curtis, and Senator Fannin for their loyal and diligent attention to duty to stay here until the end of the session here today.

(Whereupon, at 4:05 p.m., the committee was adjourned to reconvene Monday, January 31, 1972.)

SOCIAL SECURITY AMENDMENTS OF 1971

MONDAY, JANUARY 31, 1972

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

The committee met, pursuant to recess, at 10:05 a.m., in room 2221, New Senate Office Building, Senator Clinton P. Anderson presiding.

Present: Senators Long (chairman), Anderson, Talmadge, Ribicoff, Nelson, Bennett, Curtis, and Jordan of Idaho.

Senator ANDERSON. The hearing will come to order. The first witness will be Senator Goldwater.

STATEMENT OF HON. BARRY GOLDWATER, A U.S. SENATOR FROM THE STATE OF ARIZONA

Senator GOLDWATER. Mr. Chairman and members of the committee, it is a real pleasure for me to appear before you this morning on a subject that has been of great importance to me for a long time.

Mr. Chairman, I call today for the total repeal of the earnings test on social security beneficiaries; by earnings test, I mean the outrageous penalty which the law imposes on the person otherwise eligible for social security, who earns more than $1,680 per year. As the law now stands, an individual receiving social security will be denied $1 for every $2 he earns in excess of $1,680 per year. Then if his earnings should go above $2,880 a year, his benefits will be cut off completely, dollar for dollar. The only exemption is for persons 72 and older.

Now, Mr. Chairman, this is wrong; it is wrong logically, and it is wrong morally. It is an outrage being perpetrated against millions of citizens who have made good-faith contributions out of their hard-earned salaries. It is an abuse being committed against the workingman who has faithfully lived according to all the best rules of the American system. These citizens have not been a drag on the welfare rolls; they have not been tearing up the flag, blocking traffic, or shouting obscenities in the streets. If there are any individuals in our society who deserve our top priority attention, it is these law-abiding working persons.

Mr. Chairman, I have charged that the earnings test is wrong morally. It is wrong because social security should not be a contract to quit work. It is wrong because each individual should be able to earn an income without unfair restriction to the full limit of his ability and initiative.

Mr. Chairman, the earnings ceiling is wrong logically because the person who is penalized is often the one with the greatest need for

more income than his social security benefits can provide. Income from investments—stocks, bonds, rentals, and so forth—is not counted in determining whether benefits shall be reduced. It is only the individual who continues to work who is penalized. This means we have the utterly illogical situation where a really wealthy person might draw tens of thousands of dollars a year from his investments and still receive his full social security check. At the same time, the man who has worked for a salary all of his life and who might need to continue working as a matter of economic survival cannot do so without a penalty.

Mr. Chairman, I should add that a person who loses his social security benefits because he is still working actually suffers a reduction in his disposable income, even though his gross income may be the same. This happens because for each dollar in tax-free, social security benefits which the person is giving up, he is earning a dollar which is reduced by Federal, State, and local taxes and by all the expenses incidental to his work, including continued payroll contributions for social security which he is not receiving.

Mr. Chairman, there are over 2 million Americans aged 65 and over who are hurt by the earnings ceiling. In addition, there are almost 1 million persons under age 65 who are affected by the test. They include individuals who have retired early at a reduced benefit and certain younger survivors.

Of this total group, 1.1 million earn enough so that they receive no benefits at all. Another 1.5 million persons earn enough so that they are getting some but not all of their benefits. Finally, there are about one-half million social security recipients who are earning amounts which are only $100 or $200 below the ceiling. It is true they are getting their full social security benefits, but nearly every one of them is intentionally holding his earnings down because of the earnings limitation. Studies made by the Government prove that the greatest deterrent to work occurs at just below the ceiling level. In all, more than 3 million Americans suffer because of the earnings limitation.

Mr. Chairman, it is time this statutory shackle was removed from the law. In my opinion, workers who have contributed from their earnings into the system are entitled, as a matter of right, to receive benefits when they reach the annuity age.

Mr. Chairman, social security beneficiaries are not wards of the Government; they are not on relief; they are not objects of charity. They are self-respecting Americans who, in substantial part, have paid for the benefits which they will receive in old age.

Mr. Chairman, I want to correct here and now the false impression that social security benefits are a form of relief, for at the bottom of the earnings test is undoubtedly a feeling that those who still have regular jobs do not need an annuity. This thinking, however, confused the idea of relief with that of insurance.

But, Mr. Chairman, social security payments are not gratuities from a benevolent central government; they are essentially a repayment of our own earnings which we have deposited in trust as a regular contribution which has been deducted from our salaries and from our employers. This method was designed from the start as a guarantee that benefits would be paid as a matter of right, not of

charity. In fact, as the program was first reported by the Committee on Ways and Means and passed by the House of Representatives in 1935, there was no earnings test at all. Thus, the repeal of the test today would restore the program to its original form.

It is pertinent to note that the first Advisory Council on Social Security in 1938 described the contributory program as being one under which payments would be "afforded as a matter of right." When Congress acted on the Council's report by passing the Social Security Amendments of 1939, both the Ways and Means and the Finance Committees reaffirmed this concept by declaring that "by grant benefits as a matter of right, it preserves individual dignity."

The Advisory Council of 1948 also reported approvingly that:

> The individual earns a right to a benefit that is related to his contributions to production. This earned right is his best guaranty that he will receive the benefits promised and that they will not be conditioned on his accepting either scrutiny of his personal affairs or restrictions from which others are free.

Ten years later, the Advisory Council on Social Security Financing reported and I quote again:

> The fact that the worker pays a substantial share of the cost of the benefit provided, in a way visible to all, is his assurance that he and his dependents will receive the scheduled benefits and that they will be paid as a matter of right without the necessity of establishing need. The contribution sets the tone of the program and its administration by making clear that this is not a program of governmental aid given to the individual . . .

This view was again accepted by the Advisory Council of 1956 which claimed that the "covered worker can expect because he has made social security contributions out of his earnings during his working lifetime that social security benefits will be paid in the spirit of an earned right, without undue restrictions and in a manner which safeguards his freedom of action and his privacy."

Finally, we have the assurance of Dean J. Douglas Brown, who has worked with the development of the social security programs since its inception, that from the first it was the planner's conviction that any old-age insurance plan should "provide benefits as a matter of right."

Mr. Chairman, if this be true, I believe it means each worker has a right to receive his benefits and still continue work once he reaches the annuity age. If the worker can expect that his freedom of action will be safeguarded, why must he quit work in order to receive all his benefits? If he has been guaranteed against restrictions from which others are free, why must he leave his job when persons who have invested in private insurance will be paid more at the same age regardless of their continued employment?

What will total repeal cost? The best estimates I have seen predict about $3 billion a year. Where is this amount going to come from? Well, I am willing to take the bull by the horns and suggest that all of the increased benefits of persons who have already reached or neared retirement age should be financed by an automatic, annual appropriation out of the general revenues. As for workers who are well under the retirement age, I suggest the pragmatic approach of leaving the tax rate at its current level until the taxes on the average worker will no longer be adequate for what his own benefits will be when he retires. In this manner, when an increase in taxes is made

each worker will know he is paying only for his own future benefits and not for someone before him.

That concludes my statement, Mr. Chairman, and I thank you.

Senator ANDERSON. Senator Bennett?

Senator BENNETT. Mr. Chairman, I have no questions, except for the last statement. Senator, if we put off the time of increasing the tax until we have put the fund in such shape that we know we have got to increase the tax, then, in effect, the young workers will be paying—the newer workers will be paying for the benefits that this particular man has.

The problem is there—the present tax schedule will not permit those benefits. I am not sure the committee wants to breach the line and start to put general funds into the social security system. This is a proposal that has been made for a variety of reasons and if we don't breach that line we have got substantially to increase the tax base and whether we increase it now or put it off until the time when the fund is in trouble, does not change the situation.

It is a very serious problem. We have faced it every time we face a social security change but it is hard for me, as an individual who conceives of social security as retirement income, to change the law so that a man can go on working at his basic job and draw both wages and retirement income. So, social security, if we move it over to the basis of an annuity, payable at 65, rather than retirement income. I think we have got to refigure and rethink the whole social security program.

Now, the committee will, as I say—the committee has faced this problem in one form or another many times and, with your testimony, I am sure we will face it again; but it, presents very serious problems for us——

Senator GOLDWATER. I can certainly——

Senator BENNETT (continuing). Philosophical as well as financial.

Senator GOLDWATER. I can recognize the problems. I recognize it when I observe in my remarks that I thought we were wrong when we went away from the original concepts of social security, which represent a man's right. We now look upon social security, whether we like to or not, more as charity——

Senator BENNETT. Do you know why we went away from it?

Senator GOLDWATER. I have my impressions. I would like to hear yours.

Senator BENNETT. No, the Supreme Court decided there was no relationship between social security, payment into the system, as benefits.

Senator GOLDWATER. Then let's look at it another way because I am confronted with this just as you are in your State where we have both a very large retirement population, where the majority of these people are not being able to make it with social security payments alone or even with the addition of their own benefits from retirement funds created either by labor negotiations or by corporations. They need to keep working in order to survive.

Now, I think this also has a great moral aspect to it.

Just to give an example, as an individual, within 2 years, if I care to retire, I can be paid social security. Let us say I won't work but my annual income will be over $50,000 a year. Now, let's say that the man who lives next door to me retires at 65; he gets the same amount of

social security that I get but he has no income from stocks and bonds and rentals and so forth; and when he tries to earn enough money to make it possible for his family to live in a decent way, he is penalized.

Thus, I think it is morally wrong at the same time it is financially wrong, and I don't like to see this Government or our people practicing what I consider to be immoral and unjust and unkind acts.

The concept of general revenue financing for a one-shot purpose might sound unusual and particularly might sound unusual coming from a conservative like myself; but it was anticipated by the Committee on Economic Security, whose recommendations formed the basis of the original Social Security Act.

Furthermore, it is not generally known but there was a provision of the Social Security Act in effect from 1944 to 1950 which authorized the use of general revenues and this method has been used by Congress before, once in 1965 benefits to certain persons extended hospital insurance, and once again in 1966 to provide benefits to certain persons over 72.

I don't think I am asking anything unusual. I know I am asking something that is going to be very difficult and something that is going to be very, very expensive, but I am also asking for something that I just think makes plain commonsense. It is not right for me to be able to enjoy full payments of social security and full income from investments I have made when my next door neighbor has not had the benefit of the kind of life I have led and he has no invested income so he is penalized when he tries to earn a living. That is my basic argument against this.

Senator BENNETT. I have no further questions, Mr. Chairman.

The CHAIRMAN (presiding). Senator Curtis?

Senator CURTIS. Mr. Chairman, your estimate is that about 3 million people are involved in what you are proposing?

Senator GOLDWATER. Affected in some way, yes.

Senator CURTIS. What your recommendation amounts to would be treating all the beneficiaries in the same manner as those who are 72 are now treated?

Senator GOLDWATER. That is correct, yes.

Senator CURTIS. That is all.

Senator BENNETT. Reducing the 72 to age 65?

Senator GOLDWATER. Yes, as a first stage, with total repeal of the test to come later.

Senator CURTIS. I think those of us on the committee are aware that life is pretty rough for a great many social security recipients and they need all the income they can get. I am not asking you to agree to this, but it is entirely possible that they couldn't do all of this in one step, that a much more generous working allowance might be given to the individual who has no other income.

Senator GOLDWATER. Well, I recognize that and I understand that, although I am not certain of this, that the committee has taken a new approach to this by raising the $1,680 to $2,000.

Senator BENNETT. That's right.

Senator GOLDWATER. Now, maybe it can be done in a series of steps, but I repeat I think it is a moral question; I don't think we should be treating our citizens in different ways.

Senator CURTIS. Certainly they need the money.

Senator BENNETT. If my memory is correct, the original amount that a social security annuitant was allowed to earn without any effect on his social security was $15 a week back in the depression.

Senator GOLDWATER. I think you are right, although the way it passed the House originally there was no test at all.

Senator BENNETT. Now, we have raised it up so we are approaching $2,000 a year and that has been Congress' answer to this problem of trying to raise it up as the cost of living went up.

Senator GOLDWATER. Well, they are way behind the curves.

The CHAIRMAN. Thanks very much, Senator Goldwater.

Senator GOLDWATER. Thank you very much. It is a pleasure.

The CHAIRMAN. The next witness will be the Honorable Andy J. Biemiller, director of the department of legislation for the AFL-CIO.

We are pleased, always pleased, to have you with us, Mr. Biemiller, and we will be pleased to hear your summary of your statement and, of course, we will print your entire presentation; and you may be sure that we will study what you have to say in support of your arguments.

Senator RIBICOFF. Mr. Chairman, would you indulge me a few moments before my friend Mr. Biemiller, testifies, to make a few comments?

First, I am delighted you are here and I want to express to you—the AFL-CIO—and through you to the many organizations who have worked very closely with me on the H.R. 1 amendments that I submitted.

H.R. 1, in my opinion, is an inadequate bill. I think it badly needs improving and the amendments that I submitted to H.R. 1 would improve the legislation.

As far as I am personally concerned, I am for these amendments and will continue to lead a fight in their behalf. There is one basic change, however, which is of deep concern to me and that is the problem of the working poor. Here is a program that goes into effect on January 1, 1974. H.R. 1, as originally proposed by the administration, involves some 11 million additional people at an estimated cost of $5.5 billion. My proposals, of course, would be much more expensive. It would probably add another $6 billion to that figure.

On Monday, last Monday, there were presented some figures indicating that by 1977 under my proposal there would be some 71 million people in this program.* I must confess that came as a surprise to me because I had never heard that figure. I have asked HEW immediately after Monday to supply me with a breakdown of these figures.**

I have discussed this problem with welfare experts around this Nation, men and women in whom I have the greatest confidence.

On Friday the welfare commissioners of New York, Wisconsin, and Oklahoma were here and all reaffirmed that it was impossible, in their opinion, to implement this vast new program, the dimensions of which no one really knows, by that day. They all agree that there should be a pilot program.

In 1969 I said there should be a pilot program and we had the support of this committee almost unanimously. The administration opposed it at that time.

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*See p. 971.
**See p. 975ff.

The irony of it is, if it had gone into effect the pilot program of 1970 would have been finished by now and in 1972 we would have had the results and we could pass a measure that would take effect on January 1, 1974.

Now, I received a call this morning from Secretary Richardson and he said he was somewhat confused by reading the newspapers. He couldn't quite make out between the headlines and the stories what had really transpired. I told Secretary Richardson that I understood all along that he was for H.R. 1, as it passed the House. I informed Secretary Richardson it was always my understanding that he was opposed to my amendments, that as far as I was concerned I still was for my amendments on H.R. 1.

I told the Secretary it was also my personal opinion it would be impossible for them to implement the working poor provisions which would "add another 11 million people to the welfare rolls" at a time in this country when we had 5 million people unemployed, not knowing quite where we were going to get jobs for the working poor and how we were going to supplement their income, how we would resolve the many questions and ho we could administer this. I told him I am convinced today, as I was convinced in 1969 and somewhat sorry that I had listened to his importunities that we should abandon the pilot program—that when you put into effect a new program, with a new philosophy affecting so many millions of people at such a large cost, that while I was for my amendments on H.R. 1, I was definitely also for piloting out working poor provisions which go under the name of OFF.

So I want you to know and those who have supported me, that while I will still lead the fight on all the Ribicoff proposals which you back on H.R. 1, when it comes to the working poor, on this part of the bill, that as far as I personally am concerned I will continue to fight for and insist, as far as I personally am concerned, that that be piloted out.

I will contemplate piloting it out with a subtantial sum of money. In the budget for 1973 the administration has made provision for some $450 million for welfare reform. I informed Secretary Richardson that as far as I personally was concerned I would give and allow HEW wide discretion as to the extent and the variety and the amount they thought was needed to really put across a meaningful, substantial pilot program.

So I clarified the position as far as Secretary Richardson is concerned. He knows my position and I know his and I wanted to make this statement to you because you have been with me throughout the fight and, in spite of the headline writers, I have not abandoned the fight for my amendments to H.R. 1.

My feeling is that out of this committee will come a restrictive bill, even more restrictive than H.R. 1, so we might find that I will require additional amendments to those that I have proposed, but I want to make a statement to you, as one of my main supporters—I will continue to fight for my amendments to H.R. 1 irrespective of what takes place in the committee. But so far as the working poor provisions are concerned on this new program, I believe the wisdom for the future of all welfare reform requires us to make sure it doesn't bog down

and drag the whole program into failure. It is my considered judgment that OFF should be piloted out.

I want to thank you, Mr. Chairman, for allowing me to make the statement to Mr. Biemiller.

STATEMENT OF ANDREW J. BIEMILLER, DIRECTOR, LEGISLATIVE DEPARTMENT, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS, ACCOMPANIED BY BERT SEIDMAN, DIRECTOR, DEPARTMENT OF SOCIAL SECURITY, AFL-CIO

Mr. BIEMILLER. Mr. Chairman, may I just make one observation on Senator Ribicoff's remarks?

I am delighted to hear them. When the story first broke on Friday and Saturday, I told some of my associates I had a feeling there was something very wrong with those headlines. I would hope that the situation would work out so that Senator Ribicoff can proceed with his amendments and any more that are needed and which will have our support and, at the same time keep in the bill the framework for the working poor with some immediate piloting out projects which is what I understand you are saying.

Senator RIBICOFF. That is right. I think one of the great problems of liberal thinking in recent years, and you and I have been involved in many of these liberal crusades, is that we have grand ideas on paper and in theory and we think they work. Now, we immediately rush and pass a program and spend millions and billions of dollars and commit our Nation on a course of action. But, unfortunately, they don't always work out the way we think they might work out.

When I think back, I share some of the responsibility. If we had piloted out medicare and medicaid and tried it out in the country and various segments of this country, the Nation, the people, the Congress, the medical profession, the hospitals—everybody would have been better off. And I have come to the conclusion, from my experience in all phases of Government, that there is no reason why you shouldn't experiment and try out a social program as well as any other.

And, Mr. Chairman, along this line, I propose to draft and submit another amendment for consideration by this committee to give GAO, which is the arm of Congress, the authority to analyze and evaluate programs that we have passed, these vast social programs, and also that we can turn to for an independent analysis separate from the Executive about programs that we should consider.

I don't think that Congress should continue year in and year out to remain naked without having knowledge and information from sources of its own. We have a competent staff but it is a small staff and I will submit an amendment in due course, Mr. Chairman, to give that authority to GAO which is an arm of the Congress of the United States.

Mr. BIEMILLER. Mr. Chairman, on behalf of AFL-CIO, may I say that we appreciate this opportunity to present our views on H.R. 1, amendments to the Social Security Act relating to old age, survivors, disability, and health insurance and the public assistance programs. A longer, detailed statement is appended as well as other relevant material and I note that you said you will put that in the record, which we appreciate.

I am accompained by Mr. Burt Seidman, who is the director of our department of social security.

This committee, in its deliberations on this legislation, has a unique opportunity to make a major contribution toward resolution of one of the Nation's gravest problems, the persistence of poverty. Like organized labor, I am sure this committee is concerned about poverty and the social conflict it engenders. The degree of public concern with H.R. 1, though almost unprecedented in both intensity and controversy, has created a unique opportunity for progress toward elimination of poverty. The Nation has the resources and most of the institutional framework to do the job. What is yet needed is the appropriate legislation.

I would now, Mr. Chairman, like to present our recommendations on the kind of programs we believe are necessary.

Let me turn first to needed improvements in the OASDI program.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE (OASDI)

In general, we regard the provisions of H.R. 1 relating to the OASDI program as necessary improvements in the law; but, unfortunately, they fall far short of what is required when measured against the need. One thing is obvious: the 5-percent benefit increase as proposed in H.R. 1 is totally inadequate.

The current average monthly social security benefit for a single retired worker is $128 a month, $1,536 a year. The average benefit for a retired couple is $221 a month or $2,652 a year. For 2.5 million widows, the average is only $114 a month. The average social security benefit for a retiring couple is little more than one-half of the Department of Labor's modest but adequate budget for a retired couple.

The overwhelming majority of our aged population must live primarily on the income from social security benefits. The sad results are all too apparent in the economic status of the older population. The incidence of poverty among the elderly is greater than for any age group. Almost 26 percent of all retired social security beneficiaries over 65 are living in poverty and more than 47 percent of all single retirees. This compares with about 12 percent for the entire population.

Today, an aged individual is considered above the poverty level if he has an income of $1,900 a year; for a couple, the poverty level is $2,400.

One of the most serious mistakes the country could make would be to accept the cost-of-loving escalator in H.R. 1 as the complete answer to the problems of the elderly. In terms of purchasing power, they would be locked into their present inadequate poverty-level benefits. It should be clear public policy that there will be periodic increases in benefits in addition to those related to rising living costs. We assume this is the intent of the provision, first proposed by your committee, which contemplates congressional intervention that in effect will make cost-of-living increases only the floor of future payments.

The AFL–CIO advocates an immediate increase much higher than that provided in H.R. 1. We urge at least a 15-percent increase effective January 1, 1972, followed by a minimum 10 percent increase next year. These benefits should be looked upon as substantial downpayments toward the goal of a fully adequate level of social security payments.

Pending before this committee is S. 2513, a bill introduced by Senator Hartke, which, with the exception of a too modest general benefit increase, embodies many of the proposals for social security reform advocated by the AFL–CIO. We commend it to you as a foundation for making a major stride toward achieving in the next few years a social security system worthy of America.

We support the special minimum benefit system for beneficiaries who have long-term low wages during their coverage period which will guarantee workers a minimum of $150 a month for 30 years of covered work. This would be a notable advance toward assuring additional numbers of the poorest retired Americans a significant measure of income which they would receive as a matter of right.

The proposed increase in widows' and widowers' benefit from 82.5 to 100 percent of the deceased spouse's benefit at age 65 is a step toward resolution of deprivation among the Nation's most vulnerable poverty group. For similar reasons and for reasons of equity, we endorse the proposal that the period of years used in computing a worker's average wage should end at age 62 for men as it now does for women. This proposal should apply to those now presently on the rolls and alleviate the plight of those already forced to retire on low reduced benefits.

We support the liberalization in the retirement test which is largely an adjustment for the increase in wages sinec the present earnings exemption was adopted. However, we believe it preferable to put some limitation on the $1 for $2 exemption above the $2,000 exempt amount.

MEDICARE

We are particularly pleased that H.R. 1 includes the disabled under medicare and consider this a priority item for which there has long been a clear and urgent need. We urge, however, elimination or major reduction in the 2-year waiting period.

As our more detailed comments in our supplementary statement make clear, we also urge a number of other improvements. We particularly urge coverage of prescription drugs, support for health maintenance organization, and elimination of the monthly medicare premium the elderly must now pay, soon to be $5.80.

We vigorously oppose the administration approach for eliminating the medicare premium by placing the cost totally on the payroll tax and doing away with the present general revenue contribution. We just as vigorously oppose another administration-inspired proposal, now in H.R. 1 in modified form, to cut back from 60 to 30 days the period when coinsurance is not imposed for hospital inpatient care.

SOCIAL SECURITY AND MEDICARE FINANCING

H.R. 1 would increase the wage base to $10,200. We urge a wage base increase in steps to at least $15,000. We support an increased wage base because it reduces somewhat the regressivity of the tax, provides additional revenue for desirable improvements, and keeps benefits more closely in line with rising earnings.

We are concerned about the increasing heavy burden of the payroll tax on low- and middle-income workers. It must be recognized that as we improve the adequacy and the scope of the system, a heavier

proportion of the taxload will fall upon wage earners. We urge a modest and gradually increasing contribution to the social security trust fund from the general revenues of the United States. We believe this would be an effective and just way to introduce the principle of progressive taxation into the social security system.

CATASTROPHIC HEALTH INSURANCE

Catastrophic health insurance benefits the rich at the expense of the poor. It completely ignores the need for more preventive care and routine maintenance of health services. Catastrophic insurance fails to tackle the causes of the health care crisis and, in fact, reenforces those causes. We therefore oppose a catastrophic program standing alone as being completely inadequate to meet the health care needs of most Americans.

MEDICAID

The clear thrust of the medicaid amendments would be to narrow eligibility provisions, impose charges on the medically needs and reduce the scope of covered services. If enacted, these amendments would fatally undermine the promise and potential of this program. We urge this committee and the Congress to make a major overhaul of these amendments along the lines outlined in our supplementary statement so that the goal of an adequate program of health care for the poor and medically indigent will be achieved.

WELFARE

We have from the beginning supported the thrust of President Nixon's recommendations for a family assistance payment program. We do so again today. However, we take vigorous exception to many specific provisions of H.R. 1 as it was referred to your committee. Therefore, we ask you and the Senate to make substantial changes in the bill before you. If it should remain in its present form, and we sincerely hope it will not, we would find it unacceptable.

Clearly, there is a national consensus that our present Federal-State partnership of welfare to families with children has miserably failed.

We believe, if we accept the basic approach of the President and improve upon it, that we can assure all Americans the necessities of life in a program which would provide at least an income floor for those who can't work but are eligible for welfare payments and provide an incentive for all who can work to improve their income.

Because H.R. 1 falls far short of what is really needed for genuine welfare reform, we urge this committee and the Senate to support the amendments of Senator Ribicoff and 21 additional members of the Senate.

The Ribicoff amendments establish a basic floor of income and by steps would lift all the poor within a few years out of poverty.

Because the Ribicoff amendments will within a few years put the entire responsibility of administration and financing at the Federal level, States and local governments will share revenue in a meaningful way with the Federal Government; and, because the Federal Government will have the sole responsibility for administration of eligibility

determinations and payments it can make use of its resources to identify recipients and to check their income from other sources. Both fraud and honest mistakes would be substantially reduced.

Welfare is a national problem. We believe it must be resolved, insofar as is possible to resolve welfare in a great society, at the national level.

To continue our present approach to the problem of welfare must mean that we wish to continue our welfare mess. We should seize this opportunity to pass what could well be the most important social legislation since the 1930's.

The CHAIRMAN. Senator Nelson, do you have any questions?

Senator NELSON. Mr. Biemiller, what is the cost figure on the changes that you recommend—the AFL recommendations?

Mr. BIEMILLER. In which area?

Senator NELSON. The whole program. What is the additional cost over and above the cost of the program as proposed, as passed the House?

Mr. SEIDMAN. It is not clear to me, Senator, whether you are referring to the welfare part or the social security part. It seems to me these are two quite different programs.

Senator NELSON. They should not be mixed. What would be the increased costs of welfare, and what would be the increased social security costs?

Mr. SEIDMAN. I don't have these figures at hand but we could provide them for you on the social security side.

On the welfare side, I believe the figure is $12 billion.

Senator NELSON. Is that the total, or is that over and above the pending bill?

Mr. SEIDMAN. No; it would be over and above the existing program, not over and above the H.R. 1 as it passed the House.

Senator RIBICOFF. H.R. 1 would be about $5.5 billion and my amendments would add about another $6 billion.

Mr. SEIDMAN. Yes.

Senator RIBICOFF. Of course, I am concerned, frankly, about these figures in view of whom they were first gathered, the high rate of unemployment, what the economic changes are—these are some of the problems that concern me right now. My guess is that the administration's figures were too low, and my guess is that my figures are too low, also. I imagine they would both be costlier, Mr. Chairman.

Senator NELSON. That is all.

The CHAIRMAN. Any questions?

Senator RIBICOFF. I just wanted to ask one question.

Mr. Biemiller, in looking at all these proposals, they really contemplate the ability to put people to work?

Mr. BIEMILLER. That's right.

Senator RIBICOFF. I mean the President talks about workfare and we talk about getting mothers back to work and getting underemployed and unemployed people back to work.

In view of the fact that at the present time our unemployment rate is some 6 percent, with 5 million people unemployed and many of them being members of your union who are highly skilled, highly trained: they are engineers and Ph. D.'s—where do you see these additional welfare lists being put to work?

Mr. SEIDMAN. Well, Senator, we support your amendment which would provide for a large-scale public service employment program and we think that this is the principal avenue that we would have to turn to to provide employment for the people who are now on welfare. But, at the same time, we don't think that we should kid anybody. As long as we are not able—don't tackle the basic job reducing the present high level of unemployment, it is obviously going to be very difficult to place people who are now on welfare, who have not been working at all, or have not been working for a long time, in jobs and undoubtedly some beginning could be made in this direction. The most important thing is to reduce the present very high levels of unemployment for the country as a whole.

Senator RIBICOFF. Senator Long and Senator Bennett from time to time have suggested that we should consider the supplementing of wages paid by private employers to people in the lower income groups.

How do you react to that?

Mr. SEIDMAN. Senator, we are very strongly opposed to the idea of subsidizing employers who pay substandard wages. We are in favor of the provisions which would provide work incentive through income to people who are not now working to obtain jobs and to those who are working at very low incomes; but we are not in favor of paying employers, in effect, a subsidy to them when they pay very low wages.

We think that the effect of this would be to repress the standards of workers generally, and to provide, in effect, an incentive for these employers never to raise their wages to a decent level.

Senator RIBICOFF. Well, you see, on Thursday or Friday, Senator Jordan brought into the committee a man from one of the big contracting—what was the name?

Senator JORDAN. Morrison-Knudsen.

Senator RIBICOFF. Morrison-Knudsen who, on their own, were training, with the cooperation of the unions, many people in Idaho and other sections of the country, to do construction work and they were paying them as beginners the same level of wages that were being paid as a going wage for experienced people.

Well, it is pretty hard to expect most employers to undertake themselves and place that burden upon their own shoulders to train people at their own expense and pay them a high wage rate.

Would you have any objection if you had an employer who took a beginning employee and the going rate was $2 and to subsidize him for 50 cents or 60 cents an hour while that person is being trained? Would you object to that?

Mr. BIEMILLER. May I first of all say, Senator, I am a little puzzled at the capability of Morrison-Knudsen paying inexperienced workers the full scale.

Senator RIBICOFF. Well——

Mr. BIEMILLER. I never heard of such a program.

Senator RIBICOFF. Senator Jordan—the man comes from his own State; this is an industry in which there is a well-defined program of apprenticeship with people starting at the low apprentice wage, not at the journeyman wage.

Well, no; it was not a journeyman rate, Senator Jordan, you are more familiar with this program than I, but I had the impression from Mr. Knack's testimony that they were undertaking to take

people off the welfare rolls, people who had not worked and were paying them the going wage even though they had no experience.

Senator JORDAN. That is right, along with the training they gave them. They took selected people off the welfare rolls in Michigan; they did it in several States. They did it with the full approval of union representatives who had people on the same job. They work closely in hand with them.

The point that Lee Knack, who is the labor relations director for Morrison-Knudsen, was making is that there are good people out of jobs presently on welfare who can hold down a job in the construction industry alongside of people who work regularly in construction work and at the same pay.

Mr. BIEMILLER. I would be amazed, though, as you point out, to find there was any diminution of the normal restrictions upon apprenticeship or upon journeymen that would be weighted. I am quite familiar—I am not familiar with the Morrison-Knudsen program per se, but I am quite familiar with many programs which the construction industry and the unions in the industry have launched and in which they are taking many people off the welfare rolls; but they go through the normal apprenticeship training and wind up as journeymen with full jobs, but we certainly are not asking for any subsidies on these programs.

Senator RIBICOFF. I think—I will try to get a copy of his testimony and have you read it.

Now, you see, as I look at Senator Long's and Senator Bennett's proposal, I think what they have got in mind is just that type of supplementation, what Morrison-Knudsen was saying they were doing to take and raise up the standards of people under welfare or underemployed.

Do I state your position correctly, Mr. Chairman?

The CHAIRMAN. I am not familiar with that program. I heard the witness, but I am not that familiar with just how he handled that problem.

Mr. BIEMILLER. But, in general, I want to make clear that what Mr. Seidman has said is certainly the position of the AFL–CIO. We would take a very dim view indeed of any attempt to subsidize wages of private employers. We think this is the beginning of a new kind of concept in this country that to us is against all of the things that we have been doing and we certainly don't believe that private employers should be subsidized by the Government. After all, if you are going to subsidize employer A, then what about employer C, D, and E doing identical work? I mean, you run into, in our opinion, a very, very, nasty situation here that would result in a kind of almost wage slavery of typing people down to very low wages with the idea they would pick up a little bit from the Government and thus meet a bare minimum.

This is a concept we could not accept. We would have to oppose it.

The CHAIRMAN. Well, aren't you advocating a program that does exactly that, except just that you subsidize him whether he works or doesn't work?

You support H.R. 1; you support the Ribicoff amendments. What that does is first, put him on welfare and then try to get him to work.

If he has a wife and two children you put him on welfare for $2,400 and then you try to get him to take some kind of a job.

Mr. BIEMILLER. Right, with some limitations on the kind of a job.

The CHAIRMAN. Well, now, I don't find that in the bill you are supporting. I mean, last year, for example, according to the press reports, you came to terms with the administration that you would be willing to support a program along that line, if the job paid at least $1.20—is what you read in the press reports.

I see you are shaking your head, but that is what they are recommending and the press accounts said you would support that if that was built into it.

In any event, the way I read this thing, you are urging them to take a job and it does not say anything about a minimum wage with the job. It just says take a job.

Mr. SEIDMAN. H.R. 1 provides that the job would have to pay at least $1.20 an hour. We are opposed to that provision of H.R. 1 because we think that the job should pay at least the Federal minimum wage and that is the provision in the Ribicoff amendment which does provide that the job should pay at least the Federal minimum wage.

Senator RIBICOFF. Or the prevailing wage.

Mr. SEIDMAN. Or the prevailing wage, whichever is the higher, but at least the Federal minimum wage.

The CHAIRMAN. If I, as a taxpayer, am going to have to pay my tax money to help increase somebody's else income, if what I am able to dig down in my pocket and put up, plus what the man is earning, adds up to the minimum wage, if it's a minimum wage job, then why should you people be in here complaining? If what he is earning equals a minimum wage, or if what he is working at is in a labor market where it is completely legal to pay less than a minimum wage and that man is making what everybody else is making on that job why should you complain?

Mr. SEIDMAN. Of course, under those circumstances the employer would have the incentive to fire the man who is already working there, perhaps at a higher wage, and take on the person off the welfare rolls and get a subsidy from the Federal Government on top of it and we would be very much opposed to this.

We think that the net result of this would be to depress labor standards, hard won labor standards that the labor movement has fought for for a century or more, as a result of this kind of a program; and that is why we are opposed to it.

The CHAIRMAN. Well, there are just a lot of jobs that don't bring a minimum wage with them.

Now, you have tried to apply the minimum wage to it and I respect your right to do it, but you have not mustered sufficient political support to do it. It is generally felt with regard to a lot of them that if you were able to put the minimum wage on those jobs you would probably abolish a lot more jobs than you would increase income. That is how those of us feel who don't vote to apply the minimum wage to everything.

Mr. SEIDMAN. Senator, if I may say so, even jobs which don't pay the minimum wage have been increasing year by year. But if the Federal Government subsidizes the employer for the difference between

whatever that wage is and whatever a decent wage would be, he would never have any incentive to raise his wages.

The CHAIRMAN. We are not talking about subsidizing the employer; all we are talking about is subsidizing that employee who has a number of dependents to support. He is in poverty even though he is doing the best he can to try to increase the family income.

Mr. SEIDMAN. We are in favor of that kind of provision which is in the Ribicoff amendments. We support—call it a subsidy to the employees; we call it a work incentive; but whatever it is it permits that employee to take the job and to get—and gain from what he would have gotten if he were just on welfare. We are in favor of that kind of a provision.

The CHAIRMAN. Well, let's take the job of just collecting tickets at a motion picture theater; when somebody comes in the door he tears the ticket in two. Almost anybody you would think could do that. It doesn't require a grammar school education—someone hands you a ticket at the door and you tear the ticket in two; anybody can do that. It doesn't take any training to tear the ticket in two. It could probably be abolished very easily but that is the way a great deal of motion picture theaters operate.

Now, if a person would just take that job if he is single you wouldn't have to supplement that at all, but if the person is married and has a child to support or a couple of children, you could add something to it.

Mr. SEIDMAN. Many of those people——

The CHAIRMAN. And the burden of supporting that man wouldn't be nearly as great as it would be if Government had to pay the whole cost of supporting that family.

Now, we wouldn't be subsidizing anybody unless he has children to support; but if he had children to support you could very well be adding something to it.

Now, if you compare that to nothing, you would prefer to work. I have seen the AFL-CIO say many times, "If we can't have what we want, we will take nothing." It is not unusual I see Andy Biemiller saying, "But it has been the position of the AFL–CIO either give us this, the whole hog, or don't give us anything." I can recognize that.

How do you justify that where this man is concerned? He can't get a job that pays him the minimum wage that you want him to have?

Mr. SEIDMAN. The example that you have chosen, Senator, happens to be an example of people, many of whom are organized and are getting decent wages and are being paid decent wages by employers. They don't just take tickets; they do other jobs in the theater as well. Nobody gets a job just to tear tickets.

I don't think anybody would hire anybody to do that at $1.20 or any other wage.

But, it seems to me, if we begin by forcing people into these jobs, where some employers are paying decent wages and other employers are not, and forcing people from welfare into those jobs, where it is not only unfair to the people on welfare forcing them into taking substandard wages but it also depresses the standards of those who are already in these jobs and it is on this basis that the AFL–CIO opposes this kind of a provision.

The CHAIRMAN. Well, even if you are paying the minimum wage, and the man has a large family, you could justify adding something to what he is making. What would be wrong with that?

Mr. SEIDMAN. We are not opposed to that kind of a provision; that kind of a provision is in the Ribicoff amendments.

The CHAIRMAN. You see, the difference of what I am talking about, you are supporting the approach of putting a man and his family on welfare and then hoping he will take the job. You also support the suitable job concept that he could turn his nose up at just a lot of jobs and my reaction is that the average working man resents having to carry somebody on his back and pay for that man's dependents when that man prefers not to take a job which wouldn't make him work half as hard as some of these people who are working and paying taxes to help support all of this.

Mr. SEIDMAN. I don't know of any union people who are in favor of having people take jobs at subminimum wages; this is something I know union people are opposed to and, it seems to me, this is what we are suggesting, Senator.

The CHAIRMAN. Well, I would submit that you are not going to find many volunteers in any labor hall or even at any convention who are going to be willing over a period of time to donate a substantial part of their pay check to pay for some fellow so he can turns his nose up or decline to take jobs to support his own family. It may be low paying in some cases, may not pay more than $1.20 an hour. It may involve something simple like picking up litter and not have the dignity that people would like, but somebody has to do it.

Mr. SEIDMAN. We are not suggesting that people don't have to do hard work or don't have to do dirty work and we are not suggesting that people ought not to be required to take such jobs if this is the job they are qualified for and if the job is paying at least the minimum wage.

The CHAIRMAN. Paying a minimum wage. Would you be willing to let us add something to that if he is a worker who has a wife and five children?

Mr. SEIDMAN. Yes; I understand the Ribicoff amendment and, for that matter, the same principle is in H.R. 1; the worker who has more people to support up to a certain level will get more money than the worker who has nobody to support or has a smaller family to support. We are not opposed to this type of provision. But we are opposed to requiring people to take jobs at subminimum wages.

The CHAIRMAN. Well, thank you.

Any further questions, gentlemen?

Thank you very much, Mr. Biemiller.

Mr. BIEMILLER. Thank you, Mr. Chairman.

(Mr. Biemiller's prepared statement and a communication with attached statement subsequently received by the committee follows. Hearing continues on p. 1826.)

STATEMENT OF ANDREW J. BIEMILLER, DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. Chairman, we appreciate this opportunity to present our views on H.R. 1, amendments to the Social Security Act relating to the Old Age, Survivors, Disability and Health Insurance and the Public Assistance Programs.

This Committee in its deliberations on this legislation has a unique opportunity to make a major contribution toward resolution of one of the nation's gravest problems—the persistence of poverty. The AFL–CIO was one of the first to join the ranks in the war on poverty. But this was not a new concern. Spawned by poverty the trade union movement has been involved with this problem since our inception. Your Committee, Mr. Chairman, like organized labor has long

sought to deal with the economic problems of the elderly, the disabled and the poor. Like organized labor, I am sure this Committee is concerned about the persistence of poverty and the social conflict it engenders. The degree of public concern with H.R. 1, though almost unprecedented in both intensity and controversy, has created a unique opportunity for progress toward elimination of poverty.

But our long experience has taught us a number of things about poverty which we believe are fundamental to its resolution.

First, because poverty has many causes, it requires many solutions. People are poor for many differing reasons, their needs vary greatly and a variety of programs are required to meet them. There is no simple or single solution to the complex problem of poverty.

But, above all, job opportunities at decent wages will do more to eliminate poverty than any other factor. Give the family breadwinner an opportunity for a decent job and most people can avoid poverty. So crucial is this aspect to the elimination of poverty that it will require a national commitment to full employment.

Though full employment at decent wages is the foundation on which any program to eliminate poverty must be built, it cannot fully resolve the problem. Those who are poverty stricken because of old age, sickness, disability or because of special family problems will require a variety of other measures. The solution to their problem is primarily in improving, strengthening and modernizing our social insurance and public welfare programs.

This Committee has under consideration legislation that would make a significant impact on poverty. In fact, if broadened and improved it could virtually eliminate poverty. The nation has the resources and most of the institutional framework to do the job. What is yet needed is the appropriate legislation. I would now, Mr. Chairman, like to present our recommendations on the kind of programs we believe are necessary. Let me turn first to needed improvements in the OASDHI program.

OASDI

Thirty-five years ago, Congress passe dthe Social Security law and made the concept of social insurance a national policy. Congress has improved this law over the years until it has become a main bulwark of national social policy.

Today, 93 percent of those reaching age 65 receive social security benefits. The Medicare program covers more than 20 million people. Nineteen of every 20 widows and young children are protected in the event of death of the family breadwinner and more than 74 million people under age 65 are insured in the event of severe disability.

It is important to stress these latter protections and emphasize more strongly that social security is not only a retirement system but a program that protects the family when the breadwinner dies or is disabled. These vital protections are often overlooked by younger workers who need them most. But despite the progress and the broad scope of the program, it falls far short of meeting the minimal needs of most of those protected by it.

In general, we welcome most of the OASDI provisions of H.R. 1 as necessary improvements in the law. But unfortunately, they fall far short of what is required when measured against the need. One thing is obvious. The 5 percent benefit increase as proposed in H.R. 1 is totally inadequate, particularly since it would not be effective until June.

The current average monthly social security benefit for a single retired worker is $128 a month—$1536 a year. The average benefit for a retired couple is $221 a month or $2652 a year. For 2.5 million widows the average is only $114 a month. Today, the average social security benefit for a retiring couple is little more than one-half the Department of Labor's modest but adequate budget for a retired couple.

The overwhelming majority of our aged population must live primarily on the income from social security benefits. The sad results are all too apparent in the economic status of the older population. The incidence of poverty among the elderly is greater than for any age group. Almost 26 percent of all retired social security beneficiaries over 65 are living in poverty and 47 percent of all single retirees. This compares with about 12 percent for the entire population.

This poverty level is based on the Social Security Administration's definition of poverty. According to that definition, a single worker isn't poor if he has an income of $1900 a year. A couple isn't poor if they have $2400 a year coming in.

At those levels, the elderly live in grinding poverty. Yet many social security beneficiaries live on less. A mere 5 percent increase would not begin to meet their urgent need for a decent income. It would leave many millions in poverty.

In addition to the 5 percent increase, the House bill would automatically adjust benefits annually if there were a 3 percent increase in the cost of living over the previous year. The aged population must be guaranteed the right to participate in the nation's increasing standard of living. Without these assurances, tying benefits to the cost of living could simply render the generally low living standards of the elderly static while those of the rest of the population advance and, thereby, condemn a majority of the elderly to a perpetual substandard way of life. We believe the provision, first proposed by this Committee, that the annual cost of living increase would not be effective if Congress intervenes to increase benefits will help insure continuing involvement by Congress and benefit increases higher than those that would result from increases related solely to rising living costs.

INCREASES IN WIDOWS BENEFITS

We support the provision of the House bill that would increase the amount of the social security benefit payable to widows and dependent widowers. At present, they receive 82½ percent of the primary benefit of the deceased spouse at age 62. H.R. 1 would raise this percentage to 100 percent at age 65. If the benefit begins earlier than 65, it would be proportionately reduced to 82½ percent at age 62.

The 7.4 million women beneficiaries without husbands are the least able to secure work and the most disadvantaged. A 1968 Survey of the Aged by the Social Security Administration showed their median income was less than three-fourths the median for elderly men. One-third of them reported less than $1,000 in total money income for the year and only 11 percent reported $3,000 or more. In short, this proposal would probably do more to alleviate poverty among the aged, per dollar of cost, than any other change that could be made in the law.

UNIFORM METHOD OF COMPUTING BENEFITS FOR MEN AND WOMEN

The House bill changes the method of computing benefits for men basing the computation on working years up to 62 instead of 65, the same as it is for women. At present, the formula can result in significantly lower earnings being paid to retired men than to retired women with the same earnings. This change would be of particular help to those men who are forced to retire before age 65 on actuarially reduced benefits. Many of them are men who have lost their jobs at an age that makes it difficult to find work or have disabilities that are not severe enough to qualify them for disability benefits. This is a worthy proposal and should be enacted into law.

Unfortunately, as provided in the House bill, this proposal is applicable prospectively only to future beneficiaries on a phased-in basis. We urge that it be fully effective for January 1972 and that it apply to those presently on the rolls. It is extremely important to the plight of those already retired because their benefits tend to be lower than those of future retirees.

RETIREMENT TEST

The House bill would raise the present exempt amount of earnings from $1680 to $2000. There would be a reduction in benefits of $1 for each $2 of all earnings in excess of the exempt amount of $2000. The exempt amount would be adjusted automatically in accordance with increases in earnings. The AFL–CIO has long opposed elimination or undue liberalization of the retirement test. Its elimination would benefit primarily the 800,000 persons working full time and would likely come at the expense of more adequate cash and medical benefits for the large majority of beneficiaries who are unable to work because of poor health or lack of employment opportunities.

The proposed change is largely an adjustment for the increase in wages since the present earnings exemption was adopted and we do not oppose it. However, we do believe it would be preferable to put some limit on the $1 for $2 exemption, above $3000. We suggest that for earnings between $2000 and $3000, $1 be withheld for each $2 of earnings but recommend that for earnings above $3000, $2 be withheld for each $3 of earnings.

Because of taxes and work expenses, a beneficiary's spendable income may actually be less if he earns more than the amount of income specified as the

point where the dollar for dollar reduction takes place. This proposal takes care of that problem by eliminating the full dollar for dollar reduction. We believe this approach preferable and that any savings resulting from adoption of this latter proposal be used to make other improvements in the law.

DELAYED RETIREMENT CREDIT

We support the provision which would provide increased benefits for persons retiring after age 65 (1/12 of 1 percent each month). A person who continues working and delays retirement beyond age 65 pays contributions on his earnings, foregoes benefits, and frequently doesn't receive any higher monthly benefits than if he had retired at age 65. This provision should be supported in the interest of equity.

BENEFITS BASED ON COMBINED EARNINGS FOR A COUPLE

We support the provisions for optional computation of benefits based on the combined earnings of a working couple with a 20 year record of covered earnings after marriage. This would be a help to a low wage working couple, particularly working wives and should be supported.

OTHER SOCIAL SECURITY PROPOSALS RECOMMENDED BY ADMINISTRATION

H.R. 1 proposes several additional changes in the Old Age, Survivors and Disability Insurance Law which deserve support. One would eliminate the actuarial reduction that takes place in the alternative wife's benefit when a woman applies for these benefits at a later date after first receiving actuarially reduced benefits on her own account prior to age 65. A second would make disability benefits payable to an audit son or daughter (if the insured parent dies, becomes disabled or retires) who becomes totally disabled before he reaches 22, rather than 18, as under present law. A third would make the eligibility requirements for both the retirement and disability programs the same for blind persons. A fourth would allow combined payments from workmen's compensation and the Social Security Disability program to equal 80 percent of highest annual wage during the 5 years preceding disablement. Others would provide wage credits for members of the armed forces for the period from 1957 to 1967 and would eliminate proof of support requirements for divorced wives, divorced widows and surviving divorced mothers in order to receive benefits when marriage lasted 20 years.

Though most of these changes are minor in terms of cost and impact, they do provide a greater measure of justice for the various groups involved and, in many cases, are of vital importance to those affected by them. All of them should become law.

OTHER RECOMMENDATIONS

The AFL–CIO profoundly regrets that the House Bill does not contain many major OASDI reforms recommended by the AFL–CIO and I would like to comment on some of them.

MINIMUM BENEFIT

We were very disappointed that H.R. 1 did not include a substantial increase in the minimum benefit. Social Security beneficiaries who must rely on the minimum benefit of $70 per month to pay for the skyrocketing prices of food, clothing and shelter are the most tragic victims of inflation. Yet to offset skyrocketing inflation, the House bill would increase the minimum benefit by a mere $3 a month.

According to recent surveys, of those beneficiaries receiving the minimum benefit, 50 percent of the couples, 70 percent of the unmarried men, 76 percent of the unmarried retired women workers, and 84 percent of the widow beneficiaries were living in poverty. Thus, any increase in the minimum benefit would go overwhelmingly to poor or near poor beneficiaries.

We urge a minimum benefit increase to $100 a month. If we are to end poverty among the elderly, we must make major strides toward the provision of an adequate income based on social security benefits. Our proposal would constitute a significant step toward insuring that the poorest of our aged citizens would be able to live in dignity, free from the ever-present spector of impending financial disaster.

We also support the special minimum which provides a $5 per month benefit for every year of coverage up to a maximum of 30 years. ($150). This should be supported as it will raise benefits for a small number of beneficiaries who have long-term low wages during their coverage period. A minimum benefit of $100 now for all beneficiaries combined with the higher long-term minimum benefit would be a notable advance toward assuring a much larger number of the poorest retired Americans a significant measure of income which they would receive as a matter of right. We also see no reason why the automatic cost of living adjustment should not apply to the special minimum benefit.

Disability and retirement

H.R. 1 reduces the waiting period for benefits for disability applicants from 6 to 5 months and we support this provision. Unfortunately, the House bill leaves untouched the major problems that arise out of the growing problem of enforced early retirement. At the present time, more than half of the men applying for social security benefits are retiring before age 65, accepting the actuarial reduction in benefits. No one believes that with the average primary benefit currently awarded—about $135 a month—very many of these men are retiring of their own free will. What is undoubtedly reflected here is an indirect effort of automation, ill health and other factors causing the displacement of workers. If more and more men and women are being forced to retire early, then the social security program will have to be adjusted to meet the facts of modern life. We urge an occupational definition of disability so that older workers after age 50 or 55 could receive disability benefits if their disability prevented them from doing their usual occupation. At the very least, the amount of the actuarial reduction should be reduced.

Additional drop-out years

H.R. 1 permits in addition to drop-out years in present law, an additional drop-out year for each 15 years of coverage. This would have little immediate effect on most beneficiaries but should be supported as a small progressive step toward keeping benefits more in line with wages earned near retirement. We also urge that it apply to those now on the rolls and eligible beneficiaries have their benefits recomputed on this basis.

A more effective approach would be to base benefits on a high 5 out of 10 years as is done in many private pension plans. This would result in benefits based on average wages more nearly reflecting current earnings and would provide greater protection against reduction of benefits because of periods of unemployment, illness and low earnings.

Use of disability trust fund for rehabilitation

Present law authorizes payment from the disability trust fund for rehabilitation services to totally disabled beneficiaries. Maximum total reimbursement cannot exceed 1 percent of disability benefits paid in the previous year. Thousands of beneficiaries have been rehabilitated and terminated from the benefit rolls since this program began. The overall value of savings to the trust fund is running more than 60 percent higher than the trust fund rehabilitation expenditures.

The State Rehabilitation Agencies' requests have exceeded available funds under these provisions for the last three fiscal years. H.R. 1 would increase from 1 per cent to 1½ percent of the previous year's disability benefits the amount of trust fund monies that could be used for this purpose. We urge that the percentage be increased to 2 percent. This would allow many additional disabled beneficiaries to receive rehabilitation and also would result in reduced benefit payments greater than the cost of the services. Though the well-being of the beneficiary is the primary consideration, the results benefit everyone.

MEDICARE

Prescription drugs

One of the greatest shortcomings of the Medicare law is the lack of reimbursement for prescription drugs—drugs which may very well be the greatest single contributor to preserving and protecting good health.

The elderly account for 25 percent of all outpatient prescription drug costs. Per capita drug expenditures for the aged are more than 3 times the per capita outlays for drugs purchased by those under 65. The many aged with severe disabilities can expect per capita expenditures 3 times greater than those over 65 who

are not severely disabled. In other words, very high annual drug bills are common among the elderly.

The Task Force on Prescription Drugs found that only about 2 percent of the prescription drug costs of the elderly were covered by private insurance. About 9 percent of the costs were accounted for by free drugs, either from a physician or through a welfare program. Another 8 percent of the costs were reduced through tax savings. About 80 percent of the remaing cost had to be paid for out-of-pocket by the elderly—many millions of whom live in abject poverty or perilously close to the poverty line.

Congress has been aware of this problem. As you will recall, the Senate passed a prescription drug program under Medicare in 1966. In 1967, as part of the Social Security Amendments, Congress directed the Secretary of Health, Education and Welfare to study in depth the feasibility of the Medicare program covering prescription drugs. A Task Force was appointed, studied the problem for over a year, and then recommended the program cover prescription drugs. In 1969, the Secretary of Health, Education and Welfare in the new Administration appointed another expert Committee to review the findings of the Task Force. This Review Committee also recommended coverage, in fact, urged broader coverage than the original Task Force. This was followed in 1971 by a similar recommendation by the Advisory Council on Social Security.

Mr. Chairman, there is no further need for study, only a need for action. We urge immediate enactment of a prescription drug program under Medicare.

Medicare coverage of the disabled

The advent of the Medicare program has brought about a new era in health care for the elderly which stands in sharp contrast to the plight of another group—the severely or totally disabled. In numbers, those receiving social security disability benefits are not large—about 1.5 million. But in terms of economic vulnerability, their position is precarious.

Disabled social security beneficiaries use seven times as much hospital care as does the general population and three times as much in physician's services. In fact, disabled persons have two or three times the need for medical and hospital care as retired persons. Yet, the problem of severely restricted income that the disabled beneficiary faces is the very same as that of the retired elderly person. The disabled cannot afford expensive individual health insurance policies even when available to them.

We are particularly pleased that H.R. 1 includes the disabled under Medicare and consider this a priority item for which there has long been a clear and urgent need. We urge, however, elimination or major reduction in the two year waiting period. Health expenses during this two year period, for the reasons stated, often impoverish the typical low income disability beneficiary. There is no reason to discriminate against the disabled by requiring a waiting period of such length. The waiting period should be no longer, preferably less, than that required for disability cash benefits.

Medicare also should be expanded to cover early retirees—those eligible for social security benefits but not now eligible for Medicare. A good example is the man 65 with a younger wife who must provide for his wife's health protection out of his low social security benefit.

Combine hospital (part A) and voluntary medical (part B) insurance

The premium for Medicare's supplementary medical insurance program originally $3 per month has now increased to $5.60 or $11.20 for a couple and is scheduled to increase again next July. For the great majority of medicare beneficiaries this increase represents a crushing financial burden. As pointed out earlier in this statement, most of our older citizens are now receiving shockingly inadequate incomes and almost all of them are already bearing extremely heavy medical expenses not yet covered by Medicare.

The provision in the House bill which would relate premium increases to benefit increases is a step in the right direction but we would prefer to have the premium altogether eliminated. Under the House passed provision the premium could not rise on a percentage basis more than general benefits rise on a percentage basis. Beneficiary-premiums could never exceed one-half of the total program costs. This provision is a slight gain since premium increases would be at a slower rate than in the past. We also believe that Congress should make clear if this provision is passed that it does not supersede regulations of the Price Commis-

sion which hold premium increases to a lower level than that permitted by this provision.

Though the Medicare Part B Premium is only one aspect of the increasing burden of medical care costs for the elderly, we can deal with this problem immediately and directly. We urge that Part A (hospital care) and Part B (doctor care) be combined into a single program, that the premium for Part B be eliminated and that the government make a general revenue contribution to the trust fund equivalent to one-half the cost of the combined program.

Deductibles, coinsurance and lifetime reserve

We regret that H.R. 1 increases the annual deductible for supplementary medical insurance (Part B) from $50 to $60. We were shocked at the cutback from 60 to 30 days in the period when coinsurance is not imposed for hospital inpatient care. Of course, the original Administration proposal to reduce this starting point to 15 days would have been even worse. Though we support the increase in the lifetime reserve for hospital inpatient care, we do not consider it as a tradeoff for this undesirable cutback but rather as a desirable improvement along with a number of others in the bill. In our recollection, the cutback in the coinsurance protection for beneficiaries would represent the first major cutback in the OASDHI program since its adoption in 1935. We hope this Committee and this Congress will not be the first to achieve this unenviable distinction.

Health maintenance organizations

One of the most significant provisions of H.R. 1, over the long run, is the option allowing Medicare beneficiaries to receive their health services through Health Maintenance Organizations. There is now widespread recognition that one of the most important reasons for the rapid escalation in medical care costs is the lack of an organized system for delivering care in most communities.

Physicians in medical groups are today giving prepaid medical care to millions of people enrolled in group practice plans. These physicians work as teams and pool their varied professional skills for the best care of the patient in return for regular payments on an agreed basis. These plans achieve substantial economies through bringing the various specialties together in one place and through efficient joint use of supporting personnel and expensive equipment. They assure quality medical care through professional review of the qualifications and performance of medical staff.

The financing and organization of health services are intimately interrelated. Blue Cross, Blue Shield, commercial insurance, the Federal government and other payers for medical services have followed the pattern of paying each hospital and nursing home separately for the services each institution provides without regard to the impact that one institution's services may have on another. Likewise, payers have paid each medical practitioner for each piece of service without regard to the impact of such payments on other providers.

It is therefore understandable that this way of paying for services has fostered independence—rather than cooperation—between health care institutions and practitioners. This independence has promoted what the health experts call fragmentation in the delivery of health services. This fragmentation leads to high cost and inadequate quality of health care.

What is needed for the Health Maintenance Organization concept to prosper is a single capitation payment to such organizations to cover all services subscribers may require. Comprehensive payments for comprehensive coverage are necessary because they permit planning for the health needs of the enrolled population and the most appropriate use of the budgeted dollar. Capitation payments provide a fixed budget for a defined population. Such a budgetary system provides motivation to the HMO and its medical staff to select the most appropriate service, whether hospitalization, skilled nursing home care or outpatient care, for the patient and to make the most appropriate use of physicians and ancillary personnel.

We are therefore very much in favor of Sec. 226 of H.R. 1, which provides for capitation payments covering both inpatient and outpatient (Parts A and B of Medicare) services to HMO's. However, the House provisions should be strengthened to encourage use of this provision and thereby maximize potential cost reductions and improve quality for beneficiaries of the Medicare program.

There is a need to help new Health Maintenance Organizations during initial years when start up and overhead costs are large and before sufficient members

are enrolled to reduce these costs to levels which can be achieved after the HMO becomes fully operational. Similarly, great inequities exist, particularly in poverty areas, due to inequitable distribution and availability of manpower and resources. Obviously, potential HMO's such as neighborhood health centers will have special problems when they are located in ghetto areas where low income groups reside. The application of a ceiling based on a percentage of medicare costs in such an area may be too low because the population is underserved or provided an inferior quality of service under the prevailing but often extremely inadequate health care arrangements in that area.

We suggest, therefore, modifying the provisions of the House bill to allow newly established HMO's to be reimbursed on the basis of a 100 percent formula with a gradual reduction in this percentage for 5 years at which time the 95 percent formula would apply.

H.R. 1 would require each HMO to demonstrate to the satisfaction of the Secretary proof of financial responsibility. While we sympathize with the intent of this provision, the fact is that no new HMO can possibly "prove" financial responsibility. A new HMO may build an outpatient facility and staff it to serve 20,000 people. However, on the day the organization opens its doors for service, experience has demonstrated that a full enrollment of 20,000 is not immediately achieveable. The first year or two of operation of a new plan are inevitably rocky. The requirement that a new plan demonstrate "proof" of financial responsibility is therefore too stringent. We suggest substitution of the word "evidence" or possibly "substantial evidence" of financial responsibility for the word "proof."

H.R. 1 would also require a HMO to assure that health services required by its members be received "promptly and appropriately." Again, we find ourselves in sympathy with the intent of the House, but suggest the language is too restrictive. Where a community may be subject to an epidemic, for example, physicians in HMO's and also in the community generally, are required, under the force of circumstances, to defer non-urgent cases and physical examinations to take care of the sick. The "appropriate" service for an acutely ill person is "prompt" service. A routine physical examination may "appropriately" be scheduled for next week, or even next month. It is therefore suggested that subsection (b)(6) should read that an HMO should assure "that the health services required by its members are received appropriately . . ."

Lastly, HMO's should be required to maintain quality standards, but quality standards should be applied across the board to both HMO's and to the fee-for-service system as well.

BLOOD DEDUCTIBLE

There is one improvement in the Medicare law which is long overdue. Under present law, the patient must replace or pay for the first three pints of blood used. Those eligible for Medicare are past the age when they can give blood and so are most of their friends. It is not easy for them to find voluntary donors to avoid paying the blood deductible and many are required to buy commercial blood to meet this burden. Union members make up a major blood donor group and based on our long-time experience, the AFL–CIO urges the elimination of this requirement for payment or replacement of the first three pints of blood.

FINANCING

The financing provisions of H.R. 1 for the OASDHI programs were based on the assumption that the bill would pass in 1971 and, therefore, are now out-of-date. The House bill would have increased the earnings base from $7800 to $10,200 a year beginning January 1, 1971. The health insurance tax rate would have increased from a scheduled combined employer-employee rate of 1.2 percent to a rate of 2.4 percent of covered payroll. However, the scheduled rate for the Old Age, Survivors and Disability programs (OASDI) for 1972–74 has been reduced. The total contribution rate will actually be lower under the House bill for the years 1973–74 than would be the case under present law. However, there is a particularly sharp jump in 1977 from 5.85 percent to the ultimate rate of 7.4 percent.

The increase in the contribution and benefit base to $10,200 is a step in the right direction, but we urge additional increases to $15,000 and an automatic adjustment thereafter. The increase in the contribution rate is not only impor-

tant as a means of financing the broader program and reducing the regressivity of the tax. More importantly, it results in keeping benefits more nearly in line with rising earnings. Our social security system is important to average and above-average earners as well as to those with low earned incomes.

Over the years, the limitation on earnings for taxes and for the computation of benefits has failed to keep pace with increases in earnings. As a result, the protection provided under the system for those in the higher wage levels has significantly deteriorated. About 95 percent of the persons in the social security program had their full earnings covered when the program first began. It would take a wage base in excess of $15,000 to cover the same proportion today. The program should cover the total earnings of the large majority of workers so that their benefits, which are based on covered earnings only, will be better related to what they have actually earned.

AFL–CIO members have always been willing to pay their fair share of necessary and desirable improvements in the social security law. And we are willing to pay our share of the improvements we are advocating here today if the Congress will enact them into law. The Social Security System should continue to be financed primarily by contributions of employers and employees.

But the time has come Mr. Chairman, to begin a systematic introduction of some general revenue financing in order to establish a fully adequate social security system. Without general revenues, the contribution rate required for needed major reforms would place an unfair burden on the low wage worker, since considered solely as a tax, this contribution is regressive.

There has been support for a government contribution from general revenues from the inception of the program. Organized labor supported the payroll tax at the time the Social Security program began despite its burden upon low-income workers. However, organized labor and many other supporters of this legislation viewed exclusive reliance on the payroll tax as a transitional stage.

Mr. Chairman, if you will examine the record of the past, you will find that in these early years the Social Security Board, Advisory Councils, Congressional spokesmen, organized labor and even various business groups asserted the need for a general revenue contribution at some appropriate stage in the development of the system. Organized labor believed as did many others that exclusive reliance on the payroll tax was necessary during the initial phase of the program in exchange for the benefits of the new protection. But at the same time, we felt that ultimately action would be taken to limit the burden upon low and middle income groups.

In fact, the original Social Security legislation submitted to Congress in 1935 recommended a government contribution to cover past service credits and even mentioned 1965 as the most likely year when such contributions would be required. Provisions for a government contribution were actually included in the Social Security Act from 1944 to 1950 and though removed in the amendments of 1950, its removal was against the recommendation of the Advisory Council on Social Security.

In addition, government contributions are already being used to meet a minor but nevertheless a signficant portion of program costs—wage credits for military service, hospital insurance for the non-insured, matching funds for the Part B premium, and for the age 72 special benefits. In short, Mr. Chairman, this is not a new proposal but an old one that now needs to be fully implemented. We urge a gradual increase in the now limited general revenue contribution until it covers one-third of the total cost of the program.

CATASTROPHIC HEALTH INSURANCE

Mr. Chairman, you have requested comments from interested organizations with regard to a Federal program of catastrophic health insurance. We welcome the opportunity you have offered to comment on the concept of catastrophic health insurance as well as your specific proposal: S. 1376.

It is now widely acknowledged by most authorities, including the Administration, that the breakdown in the delivery of health services and the resulting cost escalation are caused by the lack of organization of the health delivery system, a shortage as well as as a distorted distribution of health manpower, inefficient use of allied health professionals and a lack of teamwork among the 35 specialties in medicine.

Medical care in the United States is characterized as oriented to the exotic, unusual, interesting or medically challenging type of treatment. Where the United

States has failed is in the area of preventive and routine medical treatment for commonplace illness. The commonplace sickness of today often becomes the catastrophic illness of tomorrow because of the lack of access to preventive and health maintenance services for millions of Americans. Catastrophic insurance coverage will inevitably lead in the direction of less productive use of highly skilled manpower in short supply. It will encourage a disproportionate number of physicians to specialize in the more "dramatic" areas of medicine such as open-heart surgery and organ transplantation.

Anne R. Somers, noted medical economist, stated in an article which appeared in the May 10, 1971 issue of *Medical Economics:*

"Catastrophic coverage alone would run counter to, and probably undermine, the efforts now getting under way to give new emphasis to primary care and ambulatory services, and to rationalize the health-care delivery system by overcoming the fragmentation that is a major source of both its current price inflation and its qualitative deficiencies. The fantastically high deductibles proposed in most of the catastrophic bills that have been introduced, and their overwhelming emphasis on major illness, would further distort the allocation of national health-care resources—turning them increasingly toward hospitalization or other institutional treatment and away from prevention, health maintenance, home care and other neglected aspects of the comprehensive-care spectrum."

Catastrophic insurance is based upon the assumption that Americans have good basic insurance to cover non-catastrophic health expenses. Yet, more than half of our entire population have no insurance for such important basic services as physician visits. Catastrophic insurance is a rich man's program. It would have almost no benefit for working people and for the poor. Their income and savings would be depleted before the deductible could be met, and few could afford to pay the required coinsurance. All workers would be taxed for catastrophic insurance; yet it would be of primary benefit to those with relatively high incomes.

A common feature of the various catastrophic bills is a heavy reliance on deductibles and coinsurance. One reason for this is to reduce the cost of the program in taxes by shifting part of the cost to out-of-pocket payments by the consumer-taxpayer. The burden of paying these charges is greater on the poor than on the rich. Moreover, such payments, especially the deductibles, raises the total cost of care because financial deterrents to early diagnosis and treatment of disease make it more likely that care will be sought only after distress has become so acute that medical attention can no longer be deferred. Catastrophic coverage with large co-payments make catastrophic illness more likely.

The claim is also made that deductibles and coinsurance imposed on the patient control utilization, as if the catastrophically ill person has any choice! In general, however, deductibles and coinsurance imposed on the patient cannot control costs because it is the doctor and not the patient who control utilization.

It is the doctor who decides whether a patient goes to the hospital or receives much less expensive treatment on an outpatient basis.

It is the doctor who decides on when a patient can be transferred to an extended care facility. It is the doctor who decides when the patient can be discharged from the hospital or nursing home.

It is the doctor who decides how often the patient should come to the office for treatment and it is he who determines the number of hospital visits that need to be made.

It is the doctor who decides what laboratory tests need to be made.

It is the doctor who prescribes drugs either by brand name or less costly but equally effective generic equivalents.

It is the patient's physician who leaves instructions with the house staff or nurse.

Every patient knows this. When he or she goes to the physician with symptoms—perhaps for a physical examination—and the doctor decides treatment is necessary, the patient places himself under the doctor's direction.

It should be clear, then, if any progress is to be made in controlling costs in the public interest, fiscal controls must be placed on the physician and not the patient. Of the many health insurance proposals now before Congress only the National Health Security program introduced by Senator Kennedy and Representatives Griffiths and Corman (S. 3 and H.R. 22) would control medical costs by placing fiscal controls on physicians.

Some catastrophic proposals would vary the deductible and coinsurance provisions with income. Under such proposals, the poor would be subject to little

or no cost sharing while the rich would have to pay substantial amounts in the form of deductibles and coinsurance as a condition for receiving benefits. While this meets the objection that catastrophic insurance is of primary benefit to the rich, the cost of administering a program with varying deductible and coinsurance amounts depending upon income and family size would be enormous. Such a program would have the effect of placing the entire population under a means test.

Because Health Maintenance Organizations stress prevention of disease and maintenance of health, there is reason to believe that far fewer persons enrolled in HMO's would need catastrophic coverage than would those enrolled under the fee-for-service system. HMO's could therefore provide catastrophic coverage at substantially lower cost than under the unorganized delivery system. Yet, catastrophic insurance would pay for high cost illness separately from payments for routine sickness. Thus, HMO's would not be reimbursed for reducing catastrophic illness but nevertheless would have to pay for routine health maintenance services. This is the same problem that arose with separate payments to HMO's for Part A and Part B of Medicare. HMO's could not allocate their savings in hospitalization to providing more outpatient services. Catastrophic insurance would therefore subsidize the fee-for-service system unless provision is made to incorporate actuarially equivalent capitation payments to HMO's

S. 1376

The general criticisms outlined above apply to S. 1376. The following comments apply specifically to this bill.

S. 1376 excludes persons over 65, the very group needing protection against the cost of catastrophic illness the most. The benefits excluded under the Medicare program are also excluded under S. 1376. The most important of these exclusions is prescription drugs and limited benefits for mental illness.

While it may be presumed that most of the population wou'd secure insurance coverage for the first 60 days of hospitalization, the heavy deductible of $2000 for medical benefits would be a major burden for low and moderate income families. Less than half of the population have insurance coverage for home and office physician visits; this lack of coverage is concentrated among low income families. It cannot be presumed that low income families will be ab'e to afford to purchase private health insurance to cover the first $2000 of medical expenses. The substantial coinsurance payments for institutional care (currently $17 for each day in the hospital and $8.50 for each day in a nursing home) would result in a catastrophic bill for low income families as would the 20 percent coinsurance requirement for medical expenses. If Federal financial support for coverage of the medically indigent were withdrawn under the Medicaid program, as we understand the Chairman of this Committee has proposed, enactment of S. 1376 would provide families in the $2000 to $6000 range little help.

S. 1376 continues the cost-escalating features of the Medicare program including cost reimbursement of institutional providers and payment of usual and customary fees to practitioners. The bill would accelerate the inflation of medical costs making medical care even more financially inaccessible to the poor.

There is no provision in S. 1376 for capitation payments to Health Maintenance Organizations. The bill further fragments payments for medical services and provides more financial support for the fee-for-service non-system. The bill does not attack any of the basic causes of the medical care crisis. We are therefore opposed to the enactment of any form of catastrophic insurance.

MEDICAID

H.R. 1 would repeal the requirement in the present law that States must have comprehensive Medicaid programs by 1977. The intent of this provision in the present legislation is clear and is the heart of the Medicaid law. It would make comprehensive health services available to all those who cannot pay for the cost of these services because their income is too low. In short, it is a commitment by the nation to provide health care for all indigent and medically needy Americans. A continuing commitment to this goal is imperative if we are going to successfully attack the serious failures of our health care system—particularly among the poor where this failure is the greatest.

We urge this Committee to reject the House provision. It constitutes a severe retrogression and might postpone for decades the attainment of the goal of comprehensive health services for the needy and medically needy.

The House bill would modify the requirement for uniform federal matching percentage for all health services covered under the State plan. Federal matching for certain outpatient services would be increased by 25 percent. But federal matching for long-term institutional care would be decreased by one-third: after the first 60 days of care in a general or TB hospital; after the first 60 days of care per fiscal year in a skilled nursing home; and after 90 days of care in a mental hospital (with a maximum of 275 days during an individual's lifetime).

Though supposedly aimed at inducing use of less expensive forms of medical care, this proposal would actually result in financially over-burdened States cutting back their Medicaid programs at the expense of needy patients requiring long-term care. An arbitrary limitation on duration of the care of such patients is a cruel response to their problems.

The House bill adopted a Senate proposal which provides that the resolution will not take place in skilled nursing home care if there is in the State an effective program of control over utilization of such care. This is a step in the right direction but similar approaches should be applied to other forms of institutional care as well. If there is concern that too many patients remain too long in institutional settings with resulting higher costs on the program, the appropriate solution is to approach the problem from the provider side or to assure genuine alternative arrangements suited to the needs of patients, but not to place the burden on those who can least afford it.

We strongly oppose the imposition of additional charges on Medicaid recipients. The bill would allow States to impose a premium fee on the medically indigent according to their income and deductibles and coinsurance without limitation after July 1, 1972. Deductibles and coinsurance would also be permitted for optional services for cash assistance recipients. These proivsions attempt to control medical services by putting dollar barriers to needed medical services in the path of those who are least able to pay for them.

H.R. 1 also requires assistance recipients with total incomes in excess of the State's medically indigent eligibility standards to draw down any excess of income above the low Medicaid standard. Since the State's Medicaid eligibility standard cannot be higher than 133.33% of the current payment to ADFC families, many recipients will gain little advantage from the income disregards. Moreover the provision will undermine efforts in other parts of the bill to encourage work and training by permitting recipients to retain some portion of their earnings.

The scope of medical benefits available under Medicaid are also reduced by H.R. 1. The States would not be allowed to reduce the scope of non-mandated services under Medicaid and would be exempt from the maintenance of financial effort provisions of present law. This would limit even more severely the services to which medicaid recipients are entitled in many States. Given the financial pressures faced by most States, the inevitable result will be a cutback in these services by many States. We urge elimination of this provision from the bill.

We also urge elimination of the provisions under which the State would not be required to make Medicaid available to persons newly eligible under the income maintenance sections of the bill. By definition these are poor people and, therefore, without the income or resources to meet the high cost of medical care.

Curtailing services and restricting coverage does not enhance the ability of the poor to pay the cost of medical care. The remedy for high Medicaid costs is not curtailment of the program, but establishment of reasonable and effective cost controls on those who determine the volume of services to patients—the providers.

One approach to these problems that has been suggested is full federalization of the program. The AFL–CIO supports federal administration and financing of Medicaid as an essential part of the federalization of the public welfare system. However, partial federalization which takes over the mandatory portion of the Medicaid program but leaves to the States the full burden of paying for optional benefits not required by federal statutes is not satisfactory federalization and would be counter-productive unless accompanied by a requirement that States supplement the basic federal program at least at their current level. As previously stated, without this guarantee, given the present State tendencies to cut programs, the inevitable result would be cutbacks in the Medicaid program.

The only fully satisfactory solution to these problems is adoption of a National Health Security System along the lines advocated by the AFL–CIO. We think it significant that nations ranking higher in health statistics than the U.S. are invariably those that have a system to provide and to finance health

care for the great majority of their population, rich and poor alike. However, until a comprehensive national health system is under way every effort should be made to assure progress toward the Medicaid goal of comprehensive health care for the needy and medically needy.

COST EFFECTIVENESS AND TECHNICAL AMENDMENTS

The Medicare and Medicaid programs have fundamental defects in lack of adequate cost controls. Very little of this problem can be solved by administrative controls and legislative action is needed. These programs are built on the established order of hospital and medical scervices and reflect many of the same problems that are plaguing the health care system as a whole. These shortcomings should not be used as an excuse to deny making major benefit improvements in the laws. Beneficiaries should not be the victims of society's refusal to come to grips with an outmoded health delivery system. We support most of the provisions of the House bill to contain costs and most of the technical amendments. I shall not attempt to analyze in detail all these complicated and often interrelated provisions of the bill. Rather, I shall attempt to explain why the AFL–CIO supports or opposes certain provisions not commented on previously and what additional we feel needs to be done to effectively control costs.

A. Provisions Related to Eligibility and Payment for Benefits

HOSPITAL INSURANCE BENEFITS FOR UNINSURED INDIVIDUALS

H.R. 1 would allow persons age 65 and over to enroll on a voluntary basis for Part A (Hospital Care) of Medicare under the same conditions by which individuals can enroll under the Part B (Physician Services) of Medicare. Those who do enroll must pay the full individual cost of the protection which would be increased as costs go up. States and other organizations would be able to purchase such coverage on a group basis for their retired employee over 65.

This provision would be of benefit to individuals age 65 and over who are not eligible for Medicare. These individuals find it nearly impossible to purchase private insurance protection since most private insurance policies for the age 65 and over group have been converted to policies supplementary to Medicare. Large numbers of State and local government employees not covered by Social Security and ineligible for Medicare coverage face this problem on retirement. Allowing State and local governments the option of purchasing coverage for them on a group basis would help resolve this problem.

AUTOMATIC ENROLLMENT FOR SUPPLEMENTARY MEDICAL INSURANCE

Pending merger of Part A and Part B into a single program, we support automatic enrollment of beneficiaries when they first become eligible. We assume appropriate measures will be taken to inform an individual of his right to withdraw once enrolled and that Congress indicate this be done.

INCENTIVES FOR STATES TO EMPHASIZE COMPREHENSIVE HEALTH CARE

We support the provision which increases by 25 percent (up to a maximum of 95 percent) federal matching funds for Medicaid programs when a State is under contract with a health maintenance organization or other comprehensive health care organization. The AFL–CIO strongly favors prepayment over the fee-for-service method of financing health. The purpose of this amendment is to encourage States to contract with Health Maintenance Organizations. These organizations have been shown to provide better quality and more comprehensive care at less cost. We believe that the quality of health care for poor people can be significantly improved by this provision provided the other provisions of the bill pertaining to the HMO'S are modified along the lines suggested elsewhere in this testimony.

B. Provisions Related to Improvements in Operating Effectiveness

LIMITATION ON FEDERAL PARTICIPATION

The House bill would disallow capital costs such as depreciation and interest made for capital expenditures in excess of $100,000 which were specifically disapproved by State and local health planning bodies. We have opposed similar

proposals in the past. The qualifications of members of Advisory Councils to State Planning Bodies vary widely from State to State and, despite the usual requirement for consumer representation, that the influence of physicians and financial interests was disproportionate to consumer influence in many states. Fortunately, the House bill provides for final approval by the Secretary of HEW on recommendation of a National Advisory Council, and for that reason, we do not oppose it.

PROSPECTIVE REIMBURSEMENT—EXPERIMENTS AND DEMONSTRATION

We strongly support the requirement that HEW be required to develop experiments and demonstration projects designed to test various methods of making payment to providers of services on a prospective basis. There is already authority to do this under Section 402 of the Social Security Act but, unfortunately, little has been accomplished. What is needed is a speedy and sustained effort in this area in order to lay the groundwork for a major program of prospective reimbursement. The present "reasonable cost" reimbursement formula neither rewards efficiency nor discourages waste and ignores the opportunity to use financial incentives as an inducement to superior performance. Specified payment in advance would put a premium on efficiency and would stimulate more economical use of resources and manpower.

This provision also authorizes the Secretary of HEW to conduct experiments with area-wide and community-wide peer review and medical review mechanisms. This should be supported since there is a need to test proposals that might improve the administration of cost and quality controls. Proposals of this nature should be thoroughly tested before enactment into law.

LIMITATIONS ON PREVAILING CHARGE LEVELS

Under H.R. 1 reasonable physician fees will be defined as those which do not exceed the 75th percentile of actual charges in a given area. After that, allowable charges may be increased in the aggregate only to the extent justified by indexes reflecting changes in costs of practice of physicians and in earnings levels. Presently, the prevailing limit on the reasonable charge for a service is generally about the 83rd percentile.

The AFL–CIO from the inception of the Medicare program pointed out that the reimbursement formula for physicians was biased in favor of escalation of costs and against adequate cost controls. Reimbursement of physicians based on "prevailing" charges is an open invitation to doctors in today's seller's market for medical services to increase their charges so that the new higher level of charges will have to be considered "prevailing." The proposal is a step forward in holding down costs, but better results would be obtained by contractual relationships with providers of medical care and negotiated fee schedules.

In addition, since under present law the physician can choose whether to be paid by direct billing or the assignment method, there is a good possibility that a large portion of any cost savings will be borne by financially hard-pressed beneficiaries. If the doctor chooses billing the patient directly, he may charge what he pleases and the patient must make up the difference. The assignment method, receiving the payment from the Social Security Administration, requires that the doctor accept the reasonable and customary charge as determined by SSA.

Under the new proposal, this would have to be within the 75th percentile of customary charges for a service in the physician's area. In order to insure that the savings realized by this provision will not be at the expense of poverty stricken older people, we urge that the assignment method be made mandatory.

LIMITATIONS ON COVERAGE OF COSTS UNDER MEDICARE

Another provision would give the Secretary of HEW authority to establish limits on providers' costs to be recognized as reasonable based on comparisons of the cost of covered services by various classes of providers in the same geographical area. This provision would be applied prospectively so that providers would know in advance maximum costs allowable and would have an opportunity and incentive to achieve economies to avoid non-reimbursable costs. There is

authority in existing law to disallow incurred costs that are not reasonable, but excessive cost must be specifically proved on a case-by-case basis. Administratively, this is too cumbersome to effectively control costs.

An institution that is inefficient in the delivery of health services should not be shielded from the economic consequences of its inefficiency. A reimbursement formula based on costs—which allows whatever costs a particular institution incurs—is not responsive to efficiency objectives. It is appropriate that a reimbursement formula only recognize those costs incurred by a reasonably prudent and cost-conscious management.

ADVANCE APPROVAL OF EXTENDED CARE FACILITY AND HOME HEALTH SERVICES

At the present time, eligibility for extended care facilities or home health services includes a requirement that the patient requires that type and level of care. This determination cannot always be made until after these services have been received and patients often find themselves charged retroactively with non-reimbursable costs. A provision in the House Bill would authorize periods of time for which a patient is presumed eligible for these services on certification by the patient's physicians. This would not only decrease the number of cases in which benefits are retroactively denied but also should encourage transfer from a hosiptal to these less costly types of care.

AUTHORITY OF SECURITY TO TERMINATE PAYMENTS TO SUPPLIERS OF SERVICES

Another provision in the House bill is long overdue. HEW would be given authority to terminate or suspend payment for future services rendered by a provider found to be guilty of abusing the program. Under present law, HEW does not have this authority. Nothing is more important than protecting beneficiaries from inferior or harmful services and from fraud and this cannot be properly done under the limitations of existing law.

PENALTIES FOR FRADULENT ACTS AND FALSE REPORTING UNDER MEDICARE AND MEDICAID

This provision would broaden the penalty provision relating to the making of a false statement or misrepresentation of a material fact in any application for medicare payments to include the soliciting, offering, or acceptance of kickbacks or bribes by providers of health care services. The penalty would be imprisonment up to one year, a fine of $10,000 or both. False statements of material fact concerning the conditions of a health care facility to secure certification of participation in the Medicare or Medicaid programs would carry a penalty of $2,000 fine, 6 months imprisonment or both.

These provisions if properly enforced, would help prevent some present abuses. It will be helpful in insuring proper performance by some proprietary nursing homes and by those who inspect and report on these facilities who otherwise might be tempted to violate the law.

C. MISCELLANEOUS AND TECHNICAL PROVISIONS

PHYSICAL THERAPY SERVICES

We have reservations on the modificaton made in the provisions of the Medicare law relating to physical therapists. Under the Part B medical insurance program, beneficiaries would be covered for the services of a physical therapist in independent practice when furnished in his office or in the patient's home. Total charges for such services could not exceed $100 for a calandar year.

Physical therapy services are, of course, already covered under prescribed conditions in a variety of settings. Since such services cannot be furnished in the therapist's office even though the office is far more conveniently located than the facility to which the benficiary must travel to obtain these services, we can appreciate the need for this modification.

However, we are always concerned about the quality of care in any health program when specialists with less qualifications than those required for fully qualified physicians are included. Such specialists can play a useful role in health acre but should not initiate treatment except on the recommendation and

under the general supervision of a qualified doctor. Maintenance of quality standards are most likely to be maintained when such services are provided in an organized medical setting. Though under the proposal the Secretary would be empowered to establish quality controls by regulations, we would prefer that they be more specifically spelled out in the law itself. We will oppose this proposal until there is greater certainty that quality standards will be maintained.

REQUIREMENT OF MINIMUM AMOUNT OF HEARING

We oppose requiring that a minimum amount of $100 be at issue before a beneficiary will be granted a hearing by the intermediary. Presently, hearings are permitted when there is controversy regardless of the dollar amount at issue. Amounts less than $100 constitute a large sum of money to the typical social security beneficiary and he should have the right to contest decisions on such amounts.

SOCIAL SERVICES REQUIREMENT IN EXTENDED CARE FACILITIES

This provision would remove the requirement that an extended care facility must provide social services in order to participate in the Medicare Extended Care Program. Patients in Extended Care Facilities do not have other family members to plan for them and, in cases where they do, these family members need help and advice in adjusting to the medical conditions of the patient. The elimination of social services as a condition of participation would be a step backward in the ECF program and should be opposed.

WAIVERS OF NURSING REQUIREMENTS UNDER MEDICAID FOR SKILLED NURSING HOMES IN RURAL AREAS

This provision would waive the requirement that skilled nursing homes under Medicaid have at least one full-time nurse on the staff when the nursing home is located in a rural area. We do not believe that a nursing home can be classified as "skilled" when there is no full-time registered professional nurse in the nursing home to plan and supervise nursing care. This provision should be deleted from the bill.

STUDY OF CHIROPRACTIC COVERAGE

The House bill contains a provision that would require a study of chiropractic services provided by State medicaid programs in those States that authorize such services. This study would be used in making a determination whether chiropractic services should be covered by Medicare. The AFL-CIO has opposed coverage of chiropractic services by Medicare but does not oppose an objective study of the question. We deem it essential that any such study include within its scope evaluation of the scientific validity of chiropractic theory which maintains that treatment of the spine can cure practically any human illness.

ADDITIONAL COST CONTROLS

Many of the cost effectiveness and technical amendments of the House bill would help resolve many of the cost problems of the Medicare and Medicaid programs but we feel others are essential and urge the following additional reforms:

1. Relationships between parties that pay for health care on behalf of the public on the one hand and the providers of care on the other, should whenever possible, be contractual. Where there is no contract, fee schedules should be used instead of the usual and customary fee.

2. Hospitals should be required to employ a full-time medical director and various department heads and all hospital-based physicians should be paid by the hospital in order to give hospital administrators greater control of the hospital's budget.

3. All hospitals, as a condition of participation in the programs, should be required to establish a formulary of prescription drugs and to purchase drugs for this formulary by generic name on a competitive bid basis.

4. The Federal government should expand present health professions education programs to provide more scholarships, additional funds for student loans, and to encourage more effective use of auxiliary personnel as a means of increasing the productivity of physicians. Recent Health Manpower legislation was

a major step forward but falls far short of what could and should be done in these areas.

In the long run, only the adoption of a National Health Security Program will guarantee a health care system capable of providing comprehensive quality care and of containing cost increases. But the need for a comprehensive national health program should not detract from the need of making these essential changes in the existing programs as soon as possible.

ASSISTANCE FOR THE AGED, BLIND, AND DISABLED

H.R. 1 would create a new single national program to provide cash assistance to the needy aged, blind and disabled. Under the new federal program, uniform eligibility requirements and uniform benefit payments would replace the multiplicity of requirements and benefit payments under the existing state run programs. This is a step forward and we support the proposal.

However, there are several aspects of the proposal that cause us concern and we urge two major improvements. The new program will provide a minimum standard of $130 a month for a single individual ($195 a couple) rising by two stages to $150 ($200 a couple) by 1975. The proposed minimums are considerably below poverty levels. Though the staged increases are provided for until 1975, prices will also be rising and there is no provision to adjust minimums in accordance with such increases. We urge immediate federal minimums at no lower than the poverty level and provision for automatic adjustments for keeping that level up to the date in accordance with increases in living costs.

Nor does the proposal require supplementation by those states currently making payments above the proposed federal minimums. The proposal does provide that unless a State by legislative action before July 1972 formally decides not to supplement, it will cease to be eligible for federal payments under Title IV, V, XVI, XIX, unless supplementary payments are made equal to what recipients were receiving as of June 1971. his provision should be eliminated and the States should be required to supplement federal payments up to their current level with federal participation in the costs of such supplementation.

THE FAMILY ASSISTANCE PROGRAM

We appear again to urge this Committee and the Senate to seize this opportunity to pass what could be the most important social legislation since the thirties.

Two and one-half years have passed since President Nixon asked the Congress to enact a family assistance program. We supported the thrust of the President's recommendations then and we support them again today. We do, however, take vigorous issue with many specific provisions of H.R. 1 as it passed the House of Representatives. Therefore, we are asking your Committee to make substantial changes in that bill. If it should remain in its present form, and we sincerely hope it will not, we would find it unacceptable.

BACKGROUND

The family assistance program in the terms of H.R. 1 restricts itself only to those families with children in poverty.

Poverty, in terms of money, is a family unable to purchase an adequate standard of shelter, food, clothing, health and education.

The definition of poverty most currently accepted is the definition developed by the Social Security Administration. For 1970, the Social Security Administration fixed $3,944 as the threshold for a family of four. It is an annual monthly income of $328.66 for the necessities of life. But it is not the only standard.

In the spring of 1970, the last period for which the Bureau of Labor Statistics revealed the costs of its compilation of standard family budgets for city workers, the Bureau revealed its "Lower Budget" required annually an income including taxes of $6,960. The maximum total earnings including taxes at which the Ribicoff-Javits amendment would supplement income is $5500—20 percent less than BLS' "lower budget" figure of $6,960 for 1970.

Recently, Joseph A. Pechman, Director of Economic Studies, the Brookings Institution, in his presidential address to the annual meeting of the American Finance Association in New Orleans reported "that the lowest 20 percent of all families (were) in an income range under $3,261 (and) received only 3.4 percent of the total money income of American families."

Pechman further points out that forty percent of all families had income of less than $5,881 and received only 14.1 percent of the total money income of American families.

In your Committee Print, entitled "Welfare Programs For Families," July 21, 1971, Table 1, page 24–25 you point out that more than 19 million persons in the family category are eligible for benefits under H.R. 1. And, although the benefit amount varies according to size, the maximum earnings for a family of four still eligible for a family assistance payment is $4,200.

Without belaboring the threshold of poverty further it is clear that many millions of families shall live without the basic necessities in the world's most affluent nation.

The President of the United States, the Chairman of this Committee, State Administrators, a Presidential Commission and many others have described our present approach to the problem of poverty as our "welfare mess."

Clearly, our Federal-State partnership in which payment levels and determinations of eligibility are handled by the states, but the financing is shared by the Federal government, has miserably failed—failed the poor and failed the nation's taxpayers.

Where do we go? The AFL–CIO recommends that the thrust of the program recommended by President Nixon merits enactment. If we accept the basic approach of the President, and improve upon it, we can assure all Americans the necessities of life in a program which would provide at least a floor income for those who receive welfare and can't work and improve the income of welfare recipients who do work.

Because H.R. 1 falls so far short of what is really needed for genuine welfare reform, we urge this Committee and the Senate to support the amendments of Senator Ribicoff, a member of this committee, and co-sponsored by Senator Javits and 20 additional members of the Senate.

THE RIBICOFF FAMILY ASSISTANCE PROGRAM

Basically, the Ribicoff program provides a $3,000 income floor to all eligible families of four. The first $720 of earnings is disregarded. Sixty percent of all earnings in excess of $720 are applied to reduce the basic benefit amount of $3,000.

The following table applies the formula to various earning levels:

WELFARE PAYMENTS IN THE RIBICOFF-JAVITS AMENDMENTS FOR A FAMILY OF 4

Earning	FAP[1]	Total income	Earning	FAP[1]	Total income
0	$3,000	$3,000	$3,500	$1,332	$4,832
$720	3,000	3,720	$4,000	1,032	5,032
$1,000	2,832	3,832	$4,500	732	5,232
$1,500	2,532	4,032	$5,000	432	5,432
$2,000	2,232	4,232	$5,500	[2] 132	5,632
$2,500	1,932	4,432	$5,720	None	5,720
$3,000	1,632	4,632			

[1] Reduce total earnings by $720—annual disregard. Multiply 60 percent of the remainder to reduce FAP.
[2] H.R. 1 provides that no check shall be written for less than $10. This table applies the same principle except no check shall be written for less than $11.

Both H.R. 1 and the Ribicoff amendments eliminate food stamps for families receiving family assistance payments. However, many states today have welfare programs which provide families, which have no additional income, a cash benefit plus food stamps in excess of $3,000. To safeguard the present income status for these families, the Ribicoff amendments provide that in such states, the payments of eligible recipients shall be supplemented by the state to an amount which when added to the $3,000 shall equal the cash benefit plus the value of food stamps.

One of the foremost objections of the AFL–CIO to H.R. 1 is its failure to ensure welfare recipients their present benefit levels. States, hard pressed financially and believing the responsibility of welfare is national rather than local, may elect to cut welfare benefits. Some states have already done so. Moreover, President Nixon promised at the outset that benefit levels would not be reduced. We urge that that promise to welfare beneficiaries be assured by law.

The following table relating to incomes, including taxes under the Ribicoff program, clearly shows that welfare recipients are substantially encouraged to seek and accept work.

TOTAL INCOME AFTER SOCIAL SECURITY AND INCOME TAXES FOR A FAMILY OF 4 UNDER THE RIBICOFF-JAVITS AMENDMENTS

Earnings	Social Security tax	Income tax	FAP	Total income
720	$37.44	0	$3,000	$3,682.56
1,000	52.00	0	2,832	3,780.00
1,500	78.00	0	2,532	3,954.00
2,000	104.00	0	2,232	4,128.00
2,500	130.00	0	1,932	4,302.00
3,000	156.00	0	1,632	4,476.00
3,500	182.00	0	1,332	4,650.00
4,000	208.00	[1] $39	1,032	4,785.00
4,500	234.00	109	732	4,889.00
5,000	260.00	184	432	4,988.00
$5,500	286.00	264	[2] 132	(4,950.00) (38.00)
$5,720	297.44	296	.....	5,126.56
$6,000	312.00	350	.....	5,338.00

[1] Income tax (1) and the taxpayer is claiming 4 exemptions; (2) and he is head of household; (3) and he is not itemizing his deductions; (1971 Federal Income Tax Form).
[2] Assuming that no check shall be written for less than $11.00.

DESERTION

Moreover, contrary to the system now in operation in the great majority of jurisdictions, desertion by a working father for financial reasons is clearly discouraged. A father earning $4000 a year—an average of $2.00 per hour, and paying average taxes of $247—would now have a take-home pay of $3,753. Under the Ribicoff program, FAP would pay him annually an additional $1,032 bringing his income to $4,785 annually.

The Ribicoff amendments by phasing out the Federal-State program make an additional contribution to end the confusion in the "welfare mess." H.R. 1 gets us off the ground all right but suspends the program in midair. No state is obligated to supplement benefits. H.R. 1 makes no provision for a tomorrow. No state governor nor legislature can know in advance what the President and Congress will do about welfare in the forthcoming year or years. The Ribicoff amendments phase out the present Federal-State program in an orderly manner by fixing a date certain for total Federal financing.

While this thumbnail sketch of the Ribicoff program examines its thrust, there are many features of any plan that have a major impact on its failure or success. We shall discuss a number of such features.

ELIGIBILITY

Certainly an important feature of any program is: Who is eligible? H.R. 1 for example determines eligibility in part on earnings in previous quarters of the year. While it neatly packages the determination of certain kinds of eligibility for the computer, it surely could play havoc with the stomachs of children. If people were robots and could be computerized, life would be more simple.

Let us illustrate by applying the formula of H.R. 1 to a migratory laborer and assume the Ribicoff amendments had been adopted. Our laborer (family of four) applies for welfare on October 1. He had no income for the first two quarters of the year, but he did have an income of $1300—$100 per week—in July, August and September. He may disregard $180 (one-fourth of $720) and $448 (40 percent of the remainder of his earnings) or $628. However, $672 is countable income. Therefore, for the quarter of October, November and December our laborer and his family is eligible for a payment of $78 ($750 (¼ of $3000) less $672 countable income). It is completely unrealistic to assume that a family which has earned $1300 in nine months will have saved $632 of that amount during the third quarter in order that he should have $750 to live on in the fourth quarter.

We ask in determining eligibility that the Committee and the Senate adopt the provisions of H.R. 16311 which also passed the House of Representatives. The Ribicoff amendments do so.

WORK REFERRAL

Another critical feature of any welfare program is work referral. We accept the ethic that if a person is able and available for work, he should be required to do so. But the three words "available," "able" and "work" must be defined unless we blind ourselves to the fact that the poor, having no choice, will be exploited.

We cannot ignore the fact that according to the official government figures, one person out of every 16 cannot find work today. If you take into account people without jobs who, for one reason or another, are not counted among the unemployed in the official statistics, the ratio is undoubtedly higher nationally, and it certainly is higher in the areas—central cities and depressed rural communities—where the number of welfare recipients is the highest. This nation cannot resolve the problem of the welfare load until unemployment is reduced to that point when all persons seeking work will within a reasonable time find work. Welfare is no substitute for work—full employment can reduce welfare to its irreducible minimum.

But work also involves the workplace and the pay.

MINIMUM WAGE

H.R. 1 recognizes the principles of a minimum wage. It makes no exemption from the minimum wage laws and provides that all referrals shall be to jobs paying the prevailing wage but not less than 75 percent of the Federal minimum wage.

Where work referrals to welfare recipients are directed, we should recognize that we are not dealing with people who may elect to take a particular job. We are dealing with persons who are ordered to take a job or have their welfare benefits reduced.

We urge the Committee and the Senate to mandate that those welfare recipients who are directed to take a job or suffer a loss of benefits be paid the prevailing wage or the local or Federal minimum wage, whichever is highest. We also urge that the other protections in the original H.R. 16311, as reported in 1970 by the House Ways and Means Committee, be included in the final legislation.

Years of experience under unemployment insurance laws have taught us the necessity for protective legislation in referrals of jobs for the unemployed. Such minimum standards are clearly written in the unemployment insurance sections of the Social Security Act. We urge their retention in the FAP program.

In addition, a welfare recipient should have the opportunity to be heard if he refuses an assignment and can show good cause for his refusal.

FEDERAL ADMINISTRATION

Welfare today is administered by 1,150 separate administrative units in 54 different jurisdictions. Their inability to cope with the problems is in part the explanation for our "welfare mess." Only the Federal government is equipped to identify and administer the payments to such an immense number of persons.

Specifically, H.R. 1 makes no provision for childless couples and single persons. Many of these people are in poverty. To leave the states and local governments half in and half out of welfare administration and financing continues the fragmentation of welfare programs and requires on the part of the state and local governments duplicate facilities. Therefore, we urge that the Congress authorize Federal administration of the Family Assistance Program and childless couples and single persons.

RIGHTS OF PUBLIC EMPLOYEES

However, the 1,150 separate administrative units which now administer the welfare programs are the employers of thousands of employees. Many have served in their present jobs for years. At the time the Federal government takes over the administrative functions of determining eligibility and financing, those presently performing these functions could face unemployment. Although some employees may be absorbed in other departments of their respective local and state governments, many will not. We urge maximum protection for their rights

as public employees as provided in the Ribicoff amendments. The final bill must provide protection for their present job rights and with assurance against any diminution of their conditions of employment when the federal government assumes welfare administration.

Three programs with a very substantial impact on any welfare program are child care, manpower training and public service employment.

CHILD CARE

Recently, the Congress passed as part of its extension of the OEO program, a comprehensive child development program which, to our regret, President Nixon vetoed.

H.R. 1 includes $750 million for child care service and the construction of child care facilities.

At the time Senator Ribicoff prepared his amendments relating to child care, the jurisdictionally responsible committees of both the Senate and House had under consideration child care development legislation.

The provisions of H.R. 1 and the Ribicoff amendments were not in basic conflict with the legislation later passed by the Congress. The AFL–CIO urges the Congres to re-enact legislation establishing a comprehensive child development program.

We urge that welfare reform legislation be drafted so that its child care provisions can be "folded into" such a comprehensive program.

The AFL–CIO is convinced that day care must not be provided in two classifications—custodial care for the children of welfare recipients and comprehensive care for others. Instead, we support legislation providing free services for low-income families and a fixed fee schedule for other families based on ability to pay. Such a proposal was approved last year by HEW Secretary Richardson.

In addition to a fee schedule permitting low and middle income families to participate in this program, we also support the setting of strong federal standards guaranteeing more than simple custodial care for the children of working mothers.

We would remind the committee that the Senate is on record—three times last year—in favor of the comprehensive child development approach. The Senate voted against recommiting the child care title of the OEO bill to committee; it voted overwhelmingly for the OEO bill, including child care; and—by a constitutional-majority—it voted to override the President's unfortunate veto.

The AFL–CIO strongly urges the committee to reflect these prior votes by approving child care provisions which place first priority on the well-being of the child rather than the need to "free" the mother for work or training.

PUBLIC SERVICE EMPLOYMENT

H.R. 1 provides for approximately 200,000 public service jobs at a cost of $800 million.

Senator Ribicoff pointed out in his statement before the Senate, July 22, 1971, that it is estimated that 4.3 million people could be put to work in the public sector at the state and local levels in meaningful and fulfilling jobs if money were available. The Ribicoff amendments would expand public service employment to 800,000 at an estimated cost of $1.2 billion. We urge the Committee and the Congress to accept as a minimum the Ribicoff proposal to expand public service employment.

JOB TRAINING

H.R. 1 authorizes $540 million for improved job training programs. The Ribicoff amendments authorize $1 billion.

Job training without job availability is self-defeating.

The total number trained is meaningless unless it is related to placement in jobs for which the trainee has been trained. With regard to the welfare recipient, training should be limited to potential job availability.

We urge your support of the priorities for employment and training in the Ribicoff-Bennett amendments of a year ago.

In conclusion, we urge the Committee and the Senate to eliminate the provision permitting a state residency requirement (a requirement which only a week ago the U.S. Supreme Court unanimously reaffirmed as unconstitutional). We also

urge the Committee adopt the provisions in the Ribicoff amendments which establish important and just safeguards for the individual rights of recipients which are not included in H.R. 1.

OUTLINE OF AFL–CIO RECOMMENDATIONS AS SUBMITTED IN STATEMENT BY ANDREW J. BIEMILLER, DIRECTOR, LEGISLATIVE DEPARTMENT, AFL–CIO ON SOCIAL SECURITY AMENDMENT (H.R. 1) BEFORE THE SENATE FINANCE COMMITTEE

January 31, 1972

I. BENEFIT IMPROVEMENTS

A. Oppose House bill benefit increase of 5 percent as totally inadequate. Urge a 15 percent increase effective January 1, 1972, followed by a minimum 10 percent increase next year.

B. Support House bill provision which would automatically adjust benefits annually if there were a 3 percent increase in the cost of living over the previous year.

C. A minimum benefit increase to $100 a month.

D. Support the special minimum which provides $5 per month benefit for every year of coverage up to a maximum of 30 years ($150). Also urge automatic cost of living adjustment apply to special minimum benefit.

E. Support the House provision that would allow widows and dependent widowers 65 and older to receive 100 percent of their deceased spouse's retirement benefits, instead of the present 82½ percent maximum at age 62. Those who retire prior to age 65 but after age 62 would receive proportionate increases.

F. Support the House bill provision changing the method of computing benefits for men, basing the computation on working years up to age 62 instead of 65, the same as it is for women. However, we urge that it be fully effective for January 1972 and that it apply also to those presently on the rolls.

II. RETIREMENT TEST

A. Do not oppose House provision raising the exempt amount of earnings from $1680 to $2,000, but do believe it preferable to put some limit on the $1 for $2 exemption. Suggest that for earnings between $2,000 and $3,000, $1 be withheld for each $2 of earnings but recommend for earnings above $3,000, $2 be withheld for each $3 of earnings.

III. DELAYED RETIREMENT CREDIT

A. Support the House bill provision which would provide increased benefits for persons retiring after age 65 (1/12 of 1 percent each month).

IV. BENEFITS BASED ON COMBINED EARNINGS FOR A COUPLE

A. Support the House bill provision for optional computation of benefits based on combined earnings of a working couple with a 20 year record of covered earnings after marriage.

V. OTHER SOCIAL SECURITY PROPOSALS RECOMMENDED BY ADMINISTRATION

A. Support House bill provision to eliminate the actuarial reduction that takes place in the alternative wife's benefits when a woman applies for those benefits at a later date first receiving actuarially reduced benefits on her own account prior to age 65.

B. Support provision making disability benefits payable to an adult son or daughter (if the insured parent dies, becomes disabled or retires) who becomes totally disabled before he reaches 22, rather than 18 as under present law.

C. Support provision making the eligibility requirements for both the retirement and disability programs the same for blind persons.

D. Support the provision allowing combined payments from workmen's compensation and the social security disability program to equal 80 percent of highest annual wage during the 5 years preceding disablement.

E. Support provision which would provide wage credits for members of the armed forces for the period from 1957 to 1967 and would eliminate proof of

support requirements for divorced wives, divorced widows and surviving divorced mothers in order to receive benefits when marriage lasted 20 years.

VI. DISABILITY AND RETIREMENT

A. Support House bill provision reducing waiting period for benefits for disability applicants from 6 to 5 months.

B. At the very least, reduce the amount of the actuarial reduction for early retirement.

C. Provide an occupational definition of disability.

VII. ADDITIONAL DROP-OUT YEARS

A. Do not oppose House bill provision permitting in addition to drop-out years in present law, an additional drop-out year for each 15 years of coverage, but do believe a more effective approach would be to base benefits on a high 5 out of 10 years as is done in many private pension plans.

VIII. USE OF DISABILITY TRUST FUND FOR REHABILITATION

A. Increase the trust fund monies that can be used to rehabilitate disabled beneficiaries from 1 percent to 2 percent of the previous year's disability benefits.

IX. MEDICARE

A. Immediate enactment of a prescription drug program.

B. Strongly support House bill provision including the disabled under Medicare. However, urge elimination or major reduction in the two year waiting period.

C. Medicare should be expanded to cover early retirees—those eligible for social security benefits but not now eligible for Medicare.

D. Combine Part A and Part B into a single program, eliminate the premium for Part B and make a general revenue contribution to the trust fund equivalent to one-half the cost of the combined program.

E. Oppose House bill provisions increasing the annual deductible for supplementary medical insurance (Part B) from $50 to $60.

F. Strongly oppose the cutback from 60 to 30 days in the period when coinsurance is not imposed for hospital inpatient care.

G. Support the increase in the lifetime reserve for hospital inpatient care, but do not consider it as a tradeoff for the undesirable coinsurance cutback.

H. Eliminate the requirement for payment or replacement of the first three pints of blood.

X. HEALTH MAINTENANCE ORGANIZATIONS

A. Strongly support House bill provision allowing Medicare beneficiaries the option of receiving their health services through Health Maintenance Organizations.

B. Support Sec. 226 of House bill which provides for capitation payments covering both inpatient and outpatient (Parts A and B of Medicare) services. However, the House provision should be strengthened to encourage use of this provision and thereby maximize potential cost reductions and improve quality for beneficiaries of the Medicare program.

C. Urge modifying the provisions of the House bill to allow newly established HMO's to be reimbursed on the basis of a 100 percent formula with a gradual reduction in this percentage for 5 years at which time the 95 percent formula would apply.

D. Urge substitution of the word "evidence" or "substantial evidence" in place of the term "proof" in order to insure that newly established but responsible HMO's will be able to enroll Medicare beneficiaries as they begin operation.

E. Urge substitution in Subsection (B) (6) to read that an HMO should assure "that members are received appropriately" in place of the phrase "promptly and appropriately" since "appropriate" service for an acutely-ill person is "prompt" service.

F. HMO's should be required to maintain quality standards, but quality standards should be applied across-the-board to both HMO's and to the fee-for-service system as well.

XI. FINANCING

A. Support the proposed increase in the contribution and benefit base to $10,200 as a step in the right direction but urge additional increases to $15,000 and an automatic adjustment thereafter.

B. Gradual increase in the now limited general revenue contribution until it covers one-third of the total cost of the program in order to make essential major reforms without placing an unfair burden on low and moderate wage workers.

XII. CATASTROPHIC HEALTH INSURANCE

A. Opposed to the enactment of any form of catastrophic insurance since it is basically a rich man's program and would provide almost no benefit for working people and for the poor.

B. Opposed to S. 1876 as this bill does not attack any of the basic causes of the medical care crisis.

XIII. MEDICAID

A. Urge rejection of House bill provision that would remove the requirement in present law that States must have comprehensive Medicaid programs by 1977.

B. Urge rejection of the House bill provision that would modify the requirement for uniform Federal matching percentage for all health services covered under the State plan—resulting in a reduction in Federal matching funds for long-term institutional care.

C. Support House bill provision that reduction will not take place in skilled nursing home care if there is in the State an effective program of control over utilization of such care. This is a step in the right direction but similar approaches should be applied to other forms of institutional care as well.

D. Strongly oppose House bill provision allowing States to impose a premium fee on Medicaid recipients according to their income and deductibles and coinsurance without limitation after July 1, 1972.

E. Urge elimination of House bill provision reducing the scope of medical benefits available under Medicaid.

F. Urge elimination of the House bill provision under which the State would not be required to make Medicaid available to persons newly eligible under the Income Maintenance Sections of the bill.

G. Support Federal administration and financing of Medicaid as an essential part of the federalization of the Public Welfare System. Must be accompanied by a requirement that States supplement the basic Federal program at least at their current level.

XIV. PROVISIONS RELATED TO ELIGIBILITY AND PAYMENT FOR BENEFITS

1. Hospital Insurance Benefits for Uninsured Individuals.
   A. Support House provision allowing persons age 65 and over to enroll on a voluntary basis for Part A (hospital care) of Medicare under the same conditions by which individuals can enroll under the Part B (physician services) of Medicare.
2. Automatic Enrollment for Supplementary Medical Insurance.
   A. Pending merger of Part A and Part B into a single program, support automatic enrollment of beneficiaries when they first become eligible.
3. Incentives for States to Emphasize Comprehensive Health Care.
   A. Support the House provision which increases by 25 percent (up to a maximum of 95 percent) federal matching funds for Medicaid programs when a state is under contract with a health maintenance organization or other comprehensive health care organization.

XV. PROVISIONS RELATED TO IMPROVEMENTS IN OPERATING EFFECTIVENESS

1. Limitation on Federal Participation.
   A. Do not oppose House provision that would disallow capital costs such as depreciation and interest made for capital expenditures in excess of $100,000 which were specifically disapproved by state and local health planning bodies as long as provision requiring final approval by the Secretary of HEW on recommendation of a National Advisory Council is retained.

2. Prospective Reimbursement—Experiments and Demonstration.

A. Strongly support the requirement that HEW be required to develop experiments anl demonstration projects designed to test various methods of making payment to providers of services on a prospective basis.

B. Support provision authorizing Secretary of HEW to conduct experiments with area-wide and community-wide peer review and medical review mechanisms.

3. Limitations on Prevailing Charge Levels.

A. Support House proposal that reasonable physician fees will be defined as those which do not exceed the 75th percentile of actual charges in a given area. In order to insure that the savings realized by this provision will not be at the expense of poverty-stricken older people, we urge a requirement that doctors use the assignment method.

4. Limitations on Coverage of Costs under Medicare.

A. Urge adoption of House provision that would give the Secretary of HEW authority to establish limits on providers' costs to be recognized as reasonable based on comparisons of the cost of covered services by various classes of providers in the same geographical area.

5. Advance Approval of Extended Care Facility and Home Health Services.

A. Support House bill provision which would authorize periods of time for which a patient is presumed eligible for extended care facilities or home health services on certification by the patient's physician.

6. Abuses of Medicare Program.

A. Strongly support House bill giving HEW authority to terminate or suspend payment for future services rendered by a provider found to be guilty of abusing the program.

7. Penalties for Fraudulent Acts and False Reporting under Medicare and Medicaid.

A. Support the House provision broadening the penalty provision relating to the making of a false statement or misrepresentation of a material fact in any application for Medicare payments.

XVI. MISCELLANEOUS AND TECHNICAL PROVISIONS

1. Physical Therapy Services.

A. Oppose House provision extending Medicare coverage to include services furnished by a licensed physical therapist in his office until there is greater certainty that quality standards will be maintained.

2. Requirement of Minimum Amount of Hearing.

A. Oppose House proposal requiring a minimum amount of $100 be at issue before a beneficiary will be granted a hearing by the intermediary.

3. Social Services Requirement in Extended Care Facilities.

A. Oppose the House bill provision which would remove the requirement that an extended care facility must provide Social Services in order to participate in the Medicare extended care program.

XVII. WAIVERS OF NURSING REQUIREMENTS UNDER MEDICAID FOR SKILLED NURSING HOMES IN RURAL AREAS

A. Strongly urge House bill provision which would waive the requirement that skilled nursing homes under Medicaid have at least one full-time nurse on the staff when the nursing home is located in a rural area be deleted from the bill.

XVIII. STUDY OF CHIROPRACTIC COVERAGE

A. Do not oppose House provision for objective study of Medicare coverage of chiropractic services, but deem it essential that any such study include within its scope evaluation of the scientific validity of chiropractic theory.

XIX. ADDITIONAL AFL-CIO RECOMMENDATIONS ON COST CONTROLS

A. Relationships between parties that pay for health care on behalf of the public on the one hand and the providers of care on the other, should whenever possible, be contractual. Where there is no contract, fee schedules should be used instead of the usual and customary fee.

B. Hospitals should be required as a condition for participation in the programs to employ a full-time medical director and various department heads and all hospital-based physicians should be paid by the hospital in order to give hospital administrators greater control of the hospital's budget.

C. All hospitals as a condition of participation in the programs should be required to establish a formulary of prescription drugs and to purchase drugs for this formulary by generic name on a competitive basis.

D. The Federal government should expand present health professions education programs to provide more scholarships, additional funds for student loans, and to encourage more effective use of auxiliary personnel as a means of increasing the productivity of physicians. Recent health manpower legislation was a major step forward, but falls far short of what could and should be done in these areas.

XX. ASSISTANCE FOR THE AGED, BLIND AND DISABLED

A. Support House bill provision which would create a new single national program to provide cash assistance to the needy aged, blind and disabled as a step in the right direction, however, urge immediate Federal minimums at no lower than the poverty level and kept up-to-date in accordance with increase in living costs.

XI. FAMILY ASSISTANCE PROGRAM

A. Support the major thrust of the President's program. However, urge major improvements to it.

XII. RIBICOFF FAMILY ASSISTANCE PROGRAM

A. Urge the Committee and the Senate to Support the Amendments of Senator Ribicoff—Amendment No. 559.

XIII. ELIGIBILITY

A. Urge in determining eligibility that the Committee and the Senate adopt the provisions of H.R. 16311 which also passed the House of Representatives.

XIV. MINIMUM WAGE

A. Urge Committee and the Senate to mandate that those welfare recipients who are directed to take a job or suffer a loss of benefits be paid the prevailing wage or the local or federal minimum wage, whichever is highest.

XV. FEDERAL ADMINISTRATION

A. Urge that Congress authorize federal administration of family assistance program and programs for childless couples and single persons.

XVI. RIGHTS OF PUBLIC EMPLOYEES

A. Urge maximum protection for the rights of public employees as provided in the Ribicoff amendments.

XVIII. CHILD CARE

A. Urge Congress to re-enact legislation establishing a comprehensive child development program.

B. Urge Committee to approve child care provisions which place first priority on the well-being of the child rather than the need to "free" the mother for work or training.

XIX. JOB TRAINING

A. Urge support of the priorities for employment and training in the Ribicoff-Bennett amendments of a year ago.

XX. RESIDENCY REQUIREMENT

A. Urge the Committee and the Senate to eliminate State residency requirements (a requirement which only a week ago the U.S. Supreme Court unanimously reaffirmed as unconstitutional)

XXI. INDIVIDUAL RIGHTS

A. Urge the Committee to adopt the provisions of the Ribicoff Amendments which establish important and just safeguards for the individual's rights.

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D.C.

Hon. RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed is a copy of the statement on "Social Security and Welfare" unanimously adopted by the AFL–CIO Executive Council, February 17, 1972.

We urge the Congress to enact H.R. 1 with the changes we have recommended. We believe if our recommendations were to become law they would move our nation a long way down the road toward eliminating the persistence of poverty.

Sincerely yours,

ANDREW J. BIEMILLER,
Director, Department of Legislation.

Enclosure.

STATEMENT BY THE AFL–CIO EXECUTIVE COUNCIL ON SOCIAL SECURITY AND WELFARE, BAL HARBOUR, FLA., FEBRUARY 17, 1972

The Senate Finance Committee now has under consideration a bill, H.R. 1, which could be the most momentous social security and welfare legislation since the New Deal social legislation in the 1930's. We urge the Congress to grasp this opportunity by promptly enacting H.R. 1 with the changes the AFL–CIO is recommending. This bill, if sufficiently improved, could move the nation a long way down the road toward resolution of the nation's most serious social problem, the persistence of poverty.

SOCIAL SECURITY AND MEDICARE

The Social Security System is a tremendously successful program which has been a major force in improving the quality of life in America. Social Security has provided regular income and medical care as a matter of right to millions of the nation's most economically vulnerable. But it has yet to fulfill its potential for providing economic security with dignity for the victims of death, disability and old age.

Poverty is more prevalent among the old than in any other age group. And for the majority of the aged who barely manage to stay above the poverty line, destitution is an ever-present threat. The current average benefit for an individual is $128 a month—$1,536 a year and for a couple $221 a month—$2,652 a year. Current government poverty standards are $1,900 a year for an individual and $2,400 a year for a couple.

The AFL–CIO urges the Senate Finance Committee and the Congress to strengthen H.R. 1 to insure adequate income and health care to millions of Americans who rely on social security. Among the improvements needed the most important are:

1. A 15 percent increase effective January 1, 1972, followed by a minimum 10 percent increase next year instead of the woefully-indaequate 5 percent in H.R. 1.
2. An occupational definition of disability for older workers, so that disabled workers unable to work at their usual occupation would be entitled to disability benefits.
3. An increase in the number of drop-out years in the benefit formula over that provided in H.R. 1 as a first step toward a formula based on the high 5 or 10 years of earnings.
4. An increase in the minimum benefit to at least $100 a month. In addition, we support the provision in H.R. 1 for a special minimum benefit for beneficiaries with long-term employment at low wages which will guarantee such workers a minimum benefit of $150 a month for 30 years of covered work.
5. To raise the wage base in steps to $15,000 to provide additional revenue for improvements and to keep benefit levels more closely in line with rising earnings.

6. To gradually increase general revenue contributions to the Social Security Trust Funds to an eventual one third of the program cost.

7. To cover the disabled by Medicare but eliminate or drastically reduce the two-year waiting period for eligibility in H.R. 1.

8. To include prescription drugs under Medicare.

9. To eliminate the monthly premium beneficiaries must pay for Part B (physician services) of Medicare but without adding to payroll taxes.

The Administration has recently recommended combining Part A (hospital care) and Part B (physician services) of Medicare into a single program and elimination of the monthly premium the elderly must now pay, soon to be $5.80. This is what the AFL–CIO has advocated since 1965. But the Administration proposal would eliminate the general revenue contribution which pays for one-half the cost of the Part B program and would place the cost totally on the payroll tax. The AFL–CIO rejects this proposal and urges that at least half of the cost of the combined program be paid for by general revenue. This would make unnecessary any increase in payroll taxes to cover this cost.

We also urge reject of another Administration-inspired proposal, now in H.R. 1 in modified form, to increase the period when coinsurance must be paid for inpatient hospital care. This would be an unconscionable additional financial burden on the elderly who need long duration hospital care.

We condemn the regressive changes in the Medicaid program in H.R. 1 which would deprive millions of the poor and the medically indigent of needed medical care. The only fully satisfactory solution to the health problems of the poor as well as for the general population is adoption of a National Health Security System. But until Health Security is in effect, every effort should be made in Medicaid to move toward the goal of comprehensive health care for the needy and medically needy.

WELFARE REFORM

The Ninth Convention of the AFL–CIO unanimously reiterated support for enactment of genuine welfare reform with federal financing and administration and support of the thrust of President Nixon's Family Assistance Payment Program.

The Convention called for a Federal minimum basic family assistance payment of $3,000 for a family of four with automatic increases to no less than the Social Security Administration's poverty level within a few years. The Convention insisted that no payments should be reduced below current levels; no welfare recipient should be referred to a job paying less than the applicable minimum wage; no mother should be referred to work in the absence of adequate child care for the children; and the job rights and employment conditions of State and local employees who presently administer welfare must be protected when the federal government takes over the program.

The House of Representatives has again passed its version of welfare reform (Title IV of H.R. 1). During its consideration in the House, we advised all members to pass the bill intact in order that the Senate would have an opportunity to improve upon the very substantial inadequacies of its provisions.

The Finance Committee of the Senate has completed its hearings and will begin its markup of H.R. 1 in a few days.

Senator Ribicoff and 21 co-sponsors have introduced Amendment No. 559 to H.R. 1. This omnibus amendment includes the changes called for by the Ninth Convention of the AFL–CIO as a first step toward genuine reform of the welfare system.

We urge the Congress and the Administration to support the Ribicoff Amendment—Amendment No. 559.

Two and one-half years have passed since President Nixon, in a nationwide telecast, called for welfare reform. The welfare mess has grown worse, not better. High, long-term unemployment has aggravated this situation.

The Ways and Means Committee has held hearings; the House of Representatives has twice debated and acted upon the issue; the Finance Committee has twice held in-depth hearings on the Family Assistance Payment Program; the Senate has debated the issue but because the debate came in the closing hours of the 91st Congress, no action was taken in the Senate.

We believe the time for debate is over. We believe the time for action has come.

The CHAIRMAN. Next we will hear from Mr. Roy Green, director of the welfare department, California Chamber of Commerce.

STATEMENT OF ROY A. GREEN, JR., DIRECTOR, WELFARE DEPARTMENT, CALIFORNIA CHAMBER OF COMMERCE

Mr. GREEN. Mr. Chairman and members of the committee, my name is Roy A. Green, Jr., and I am representing the California Chamber of Commerce here today and in that capacity I am director of the welfare department of the California chamber.

We oppose H.R. 1 in its present form as a solution to the welfare problems.

Senator TALMADGE. Mr. Green will you speak a little louder; we can't hear you.

Mr. GREEN. I am sorry.

We oppose H.R. 1 in its present form as a solution to the welfare problems. We generally concur with the statement of Mr. Wolfbein, representing the U.S. chamber, before this committee in his presentation of last Thursday; therefore, my remarks will be limited to just three aspects concerning H.R. 1; that is, a cost impact projection, control of administration and a few remarks on pilot testing.

Then I would like to present brief remarks on the existing welfare system as it relates in California to the two points I would like to cover, reform measures that were adopted in 1971, and employment and job creation as it relates to welfare.

We attached a cost impact study that was prepared by the California chamber and I must apologize to the committee for the form that it is in.* It went to printing just 10, 12 days ago and we were unable to get it in finished form. However, this is the final copy; it has been reviewed and this is the form in which it will appear when it is in book form.

The impact study was based on the Social Security Act as it would be amended by title III, IV, and V of H.R. 1. The study compares the costs of welfare for the Federal, State and county government projected to fiscal 1972–73, under current law in California versus the same costs under H.R. 1 using two basic assumptions: First, Federal assumption of the State supplemental payments with the hold-harmless clause in effect and, secondly, the State administration of its own supplemental payment program with the hold-harmless clause not in effect.

I would respectfully refer the committee for just a moment to page 2 of the cost-impact study. The upper portion is the complete summary of the impact study. The rest of the study from approximately the middle of the second page down deals with methodology.

Senator RIBICOFF. What page did you say?

Mr. GREEN. The second page, Senator. No; including the flyleaf, just the second page, where up at the top it says, "Impact of H.R. 1."

If you go halfway down on that second page, I will remind you again that the rest of the study, where it says "Introduction of the Study," on through the entire remaining portion of the study, deals with methodology in the study.

I have just several remarks concerning this study: It is a very comprehensive study. It was conducted by the chamber by our research analyst, Mrs. Jackie Martins. We had to rely to some extent on the

*See p. 1836.

State Social Welfare Department's figures which were provided from the computer input concerning such things as caseload extension, average costs and what have you.

Otherwise, the study was completely under the control of the chamber.

The results, if you will look at the two tables in the upper portion—the second table deals with H.R. 1 under Federal administration compared with current law; and in the last column you will notice it says the impact of H.R. 1 over current law. The results if H.R. 1 were to go into effect over the current system in California, we found that the total impact over our existing welfare system, including Federal, State, and county, would be an additional $532 million; the Federal portion $441 million; the non-Federal, which is State and county, $91 million, and so on.

Senator CURTIS. May I ask a question right there?

Mr. GREEN. Yes, Senator.

Senator CURTIS. Now, even if the provision remained in the bill, the hold-harmless provision, were we to enact H.R. 1 as it passed the House, it would increase the expenditures for the State of California by how much?

Mr. GREEN. Approximately $91 million.

Senator CURTIS. If you administered it yourself, you would increase it by how much?

Mr. GREEN. You would have to go to the table just above. The State or non-Federal cost would be approximately a $255 million increase.

Senator CURTIS. Is the difference just the cost of administration?

Mr. GREEN. No, sir; the difference lies in special needs which are not provided under the Federal administration of social services. They appear all throughout; there are increases in the adult programs as well as the family programs.

And, finally, I would call your attention to chart 3 which is the fourth page, I believe. Chart 3 is a complete breakdown by category, if the committee is interested to that extent.

Senator CURTIS. Now, one more question before we leave these first two charts. Total welfare costs under current law in California now are approximately $2.5 billion; State and Federal?

Mr. GREEN. The total cost under the current law, yes, is $2 billion 584 million.

Senator CURTIS. To put in effect H.R. 1 with the guaranteed minimum income would only raise the total cost $524 million?

Mr. GREEN. Over the current system, sir, of welfare, yes; that is correct.

Senator CURTIS. That is all at this point.

Mr. GREEN. I would like to call one other figure to the committee's attention, Mr. Chairman.

The Department of Health, Education, and Welfare reported last year to the House Ways and Means Committee that there would be a savings of approximately $234.9 million at the State level.

Senator CURTIS. In California?

Mr. GREEN. Yes, sir. We think this is significant because then the net difference between the figure reported by HEW and the figure in the cost-impact study here of an additional cost of $91 million makes a difference of $326 million in the two figures.

Unless there are further questions on this study, I don't plan to dwell on it.

Senator CURTIS. One more question: What do you have to say to the commitee in support of your estimate of $91 million additional costs as compared to the Department's claim of more than $200 million savings?

Mr. GREEN. Senator Curtis, in looking into this, this study is current to November 1971, just several months ago. I believe HEW's figures go back even to the late 1960's for their base information that was published and it is probably—and this is an opinion—was not dated and the trends that were established in California through 1969 and through 1970 and finally into March of 1971 probably are not reflected in the HEW figures. That is the best opinion I can give, sir.

Mr. Chairman, we think the impact study is strong evidence that the H.R. 1 tax will cost the taxpayer more money. To our knowledge we are not aware of any cost-impact studies, as comprehensive as the one that has been presented here, in other States. We think that other States would do well to prepare cost-impact studies.

H.R. 1, as can be seen from this cost-impact study, is certainly not an incentive for the States to administer the welfare system; in fact, it is a disincentive and it is certainly not an incentive for the States to do a better job on the welfare system if H.R. 1 were to be enacted.

We think this is a mistake. We think Federal legislation should provide for control at the State level, at the very least should provide an option to those States that had maintained high standards and are meeting their obligations under the present system.

Also, we think it should provide an option further based on the fact that many States are going to be experimenting in the welfare system today to also find many answers to the many problems existing under the present system.

We think one of the very fundamental strengths of a sound welfare program is community involvement and we don't believe you can attain a high degree of community involvement under H.R. 1 under Federal administration.

We think community involvement, as evidenced under the present system in California, is affected by a degree of financial and administrative responsibility.

I would like to touch on that for just a moment. Last year in California when we had welfare reform legislation pending before the California Legislature, the 10 large counties were opposed to the welfare reform in favor of a total State takeover or a Federal takeover.

In listening to the testimony of representatives of the counties and in talking to them directly, I found this: They were not opposed to the content of the welfare reform package at all and they favored H.R. 1 only as a fiscal relief from the heavy property taxes that are evident throughout California at the county level.

We don't think that this is a very good support base for such a measure as H.R. 1.

I was very interested in Senator Ribicoff's remarks concerning pilot testing. We generally concur with the concept that there should be much more pilot testing before such a major step is taken as the implementation of, say, H.R. 1.

We do not think there has been adequate testing conducted at any level and we would favor widespread testing such as workfare, wage supplement, guaranteed income, variations of work requirements; and we think that the various States that have been innovating and experimenting within the purview of the present welfare system should be encouraged to continue to do so and report their findings to this committee as well as to the House Ways and Means Committee.

That brings me to a point that I would like to relate to you just briefly of what has been happening in California. I referred to the Welfare Reform Act of 1971. This was an administration-sponsored program. It was introduced into the California Legislature, signed by Governor Reagan in August and became law October 1, 1971. This act, together with regulatory changes, has, we think, achieved a measure of success in reversing a trend of higher caseloads and higher costs in welfare.

In California we have experienced a net decrease to the end of the year from March, a period of 9 months, a net decrease in the caseloads of approximately 176,000 individuals at an approximate saving over what would have been spent had those individuals stayed in the system of some $120 million.

Last year when the——

Senator CURTIS. How much of that $120 million was a Federal saving and how much State?

Mr. GREEN. That would be approximately half, Senator Curtis.

The legislation pending before the California Legislature—I mentioned to you that this did not have the support of the 10 largest counties; in fact, most of the counties in the State, for the reason I stated, not so much because they were opposed to the content within the package, and I might add, the content within the package came from the County Supervisors Association document called, "Time for a Change," and the counties were very proud of this; but they were very much opposed to the fiscal implications of the existing system as it was presented in the legislation last summer—and in California the counties share a portion of the costs.

I would like to close with just a few brief remarks concerning employment and work-related programs.

We feel that the long-range solution to welfare will be attained by new, innovative job-creation and manpower-development programs and not simply by trying to treat the existing welfare system with additional legislation; that, of itself, will not get people off welfare.

We further feel that there should be an absolute work requirement for the employables who are on welfare without equivocation. In California, with our increased interest at the chamber of commerce level—I might add, our department is only 1 year old—we are undertaking a task-force-study approach to the job-creation and manpower-development problems.

We feel this should be met head on, so we are engaging in a massive effort of the top business and industry leaders as well as in Government in this task force, to examine all aspects of this problem, including barriers to employment. We realize this problem crosses into many areas such as minimum wage and unemployment insurance and others—other areas, but we feel that unless we look into this and meet some of these challenges head on we will never find an answer to the problem of getting people off of welfare into meaningful jobs.

We think this is a type of innovation and experimentation that should go on at all levels, no holds barred. This problem has grown to such immense proportions here in the United States today that we must look at all alternatives and, finally, we should test these alternatives. If they look feasible, we should try them and see if they work.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, I think that you have brought some interesting information to us. You probably heard the colloquy with the previous witnesses.

One thing that concerns me about this H.R. 1 proposal, is that it is basically a guaranteed income for doing nothing. That is what this Senator finds objectionable about it.

The cost is not a problem so far as this Senator is concerned. If it would be $4 billion to help the poor, in the most efficient way to help poor people to benefit them and to encourage them to move upward and improve their condition, I would be enthusiastically for it and I will offer ways to spend a lot more than $4 billion that I could vote for.

But a guaranteed annual wage for not working, in my judgment, could destroy any country that ever gets involved in it; and I predict if this country goes down that road this country will go down.

Now, did you hear the previous witnesses testify that where someone had a job available to him he would much prefer the person not taking the job because the job does not pay the minimum wage?

Now, apply that to a poorly educated, unskilled person. If he had available to him employment, not hard work, easy work, that would make him $2,000 a year, to which we could add $2,000, perhaps, and bring his income up to something that would lift his family out of poverty—the approach of the AFL-CIO is "No, siree." They would much prefer that he turn the job down and just remain unemployed and we pay the whole $4,000, just double the cost on the backs of taxpayers who have to work to support that family.

Now, do you think that if people can be paid twice as much for doing nothing as they can earn you are going to get them to go to work?

Mr. GREEN. No, sir; Mr. Chairman. I would challenge this gentleman who preceded me on two grounds: one, that we have not really tried wage supplementation as an incentive anywhere in the United States, to my knowledge and, second, I would challenge them to come up with a solution better than that for this individual if he would do nothing rather than put him on a job and supplement his wage.

The CHAIRMAN. The point of it is, from my point of view, if that person was highly motivated he would not be poor to begin with; he would have worked his way out of it a long time ago.

Are you aware of the recent court decisions which were discussed over the weekend in the press in this area where the Federal court in Maryland has now decided that you must continue the benefits even though a person is fired for cause, and also when the person is out on strike? In other words, a person makes his dismissal necessary and suppose he threatens to brutally beat his boss up. Now, can you explain to me why we should have to support that person when he is fired for cause, on the one hand, or is out on strike, on the other, with a welfare program? That seems to make it a strike subsidy program.

Mr. GREEN. It is difficult for me to understand this.

The CHAIRMAN. That was not what we had in mind when we put that program into effect.

Senator CURTIS. Do you have any recommendations as to major modifications in the House-passed bill relating to welfare for this committee?

Mr. GREEN. Yes; Senator Curtis. One, of course, the deletion of the guaranteed annual income provision altogether; second, that any Federal legislation should provide for administration at the State level.

Senator CURTIS. In that connection, has the Federal Government been an aid to the States in welfare reform or a hindrance?

Mr. GREEN. I would say to the greater extent a hindrance. We find it difficult to innovate and experiment under the existing system unless seemingly the conceptual innovation comes within the line of what HEW thinks should be done. We have come up with several programs in California—I should say the administration has—and Governor Reagan applied in December for a work demonstration project and this is still tied up in HEW.

This was a program that would involve 58,000 recipients and 35 counties and would involve generally the type jobs that would not interfere with the private sectors such as school guard crossing, other work related to the schools, and the parks and recreation and so on; and they had a bank set up of literally thousands of jobs to put these people into, but as yet we do not have clearance in California to go ahead with this demonstration project.

We think specific legislation, Senator Curtis, should encourage additional flexibility and innovating in this present system, and I am speaking perhaps as long as 2 years so that we can find out what works and what does not work.

While we are on that, I am sure the committee is aware of the many programs we have in effect. We tried to correlate all the existing programs that related to job training, education and job placement and what have you, and we got over 300 of them in California from the various departments.

The Department of Labor last year alone spent $500,000 in California over those programs, over 100 programs, and I could not sit here and measure results for you. It is difficult for an individual to grasp so many programs and, of course, though many of these programs when originally invented were pointed toward the disadvantaged, our minds have changed today. We still have disadvantaged but we have many other problems in the unemployment area and these programs are not flexible enough to take care of these problems. We think all of these programs should be cut down and made into a manageable few.

I don't think this has been looked into in California, but it is being looked into along this line in California.

Senator CURTIS. Thank you.

The CHAIRMAN. Any other questions?

Senator CURTIS. I think I interrupted you. You were going to make a further point.

Mr. GREEN. I think it was relative, Senator, to other recommendations and I think I adequately covered it in our recommendations.

Senator CURTIS. Nothing further.

The CHAIRMAN. Thank you very much, sir.

(Mr. Green's prepared statement and a report referred to follows. Hearing continues on p. 1867.)

CALIFORNIA CHAMBER OF COMMERCE REPORT

STATEMENT OF ROY A. GREEN, JR., DIRECTOR, WELFARE DEPARTMENT, ON BEHALF OF THE CALIFORNIA CHAMBER OF COMMERCE, JANUARY 31, 1972

SUMMARY

Cost of H.R. 1.—Welfare will cost more to California taxpayers under H.R. 1. The attached cost impact study, prepared by the California Chamber of Commerce, reflects a cost increase to California taxpayers of approximately $91.2 million, the first full year under H.R. 1.

California Responds to the Need for Welfare Reform.—The new "California Welfare Reform Act of 1971," which became law October 1, 1971, accomplished some 84 changes in the law. The welfare rolls in California have been reduced by over 176,000 recipients during 8 consecutive months in 1971.

Allow Time for Innovation at State Levels.—Sufficient time has not elapsed since the beginning of public awareness of welfare in 1969, to allow for the implementation of new ideas by the various states—and time to measure and evaluate new approaches to welfare reform at the state level.

Emphasis on Responsibility at State and Community Levels.—New legislation at the federal level should reaffirm the strong role and responsibility for welfare at state and community levels.

Delete Guaranteed Annual Income Provision.—Guaranteed annual income is a negative income tax and provides little or no incentive to work.

Delegation of Administration to States.—Any federal legislation should provide for control of welfare administration to the states.

Welfare Versus Employment.—The welfare system should be integrated into a comprehensive manpower development and job creation program. This is under consideration in California as a phase II in providing a more effective welfare system at a lesser cost to the taxpayer.

The Welfare Tax Squeeze.—In California, most of the larger counties have expressed support for H.R. 1 more as a tax relief program than an indication that county administration is less effective than federal administration. Additional fiscal relief at the federal level could solve this problem.

STATEMENT

Senator Long and members of the committee: Thank you for inviting testimony from the California Chamber of Commerce.

A great deal has been said concerning what is wrong with the existing welfare system and I am sure you have heard a great deal about the negative aspects of H.R. 1, particularly the Guaranteed Annual Income provision. It is not my intention to cover this same ground, but rather, to make constructive recommendations at the federal level which will permit meaningful welfare reform at the state and local levels.

It is suffice to say that welfare will cost more to the California taxpayer under H.R. 1. We have attached to this statement a current study of the cost impact of H.R. 1 on the State of California, prepared by the California Chamber of Commerce. This study took approximately seven months to complete and is current through November 1971.

The U.S. Department of Health, Education and Welfare reported in 1971 to the House Ways and Means Committee that California would save approximately $234.9 million under H.R. 1, assuming the federal government would administer the program.

The cost impact study shows H.R. 1 will result in a *cost* increase to California of $91.2 million—a difference of $326.1 million. The total (federal, state and counties) cost impact of H.R. 1 on California with federal administration of the state supplement is a net increase of $532.3 million.

It is a privilege to report to this committee that the California Welfare Reform Act of 1971, which became law on October 1, 1971, has been extremely successful in reversing the trend of rising welfare costs and in decreasing the California welfare rolls. The new welfare act, together with regulatory changes implemented prior to October 1, 1971, has resulted in reduced rolls for eight consecutive months during 1971—a reduction of over 176,000 individuals at an approximate saving over what would have been paid of approximately $120 million.

Should H.R. 1 be adopted, there would be no turning back. The die would be cast. We think this would be a tragedy. During the past 18 months there have been more innovative ideas and experimentation implemented at the state level than during the entire 34 years preceeding 1970. For example, on December 17, Governor Reagan announced a formal application filed with HEW Secretary Richardson for approval of a demonstration project involving some 58,000 employable welfare recipients in 35 counties. The project will involve work ranging from school yard monitoring to the maintenance of recreation and park facilities. The community work experience activities to be selected will meet only those genuine community needs which otherwise would go unmet for lack of funds and manpower. This could be the first step in the development of a work oriented uni-systems approach for employment in California. We strongly recommend that Congress defer final action on any welfare reform measure for at least another year. This should allow sufficient time in which to review and evaluate various programs instituted at the state level—to find out what works and what doesn't work. In this regard, we also feel that any federal legislation should allow for the continuation of innovation and experimentation of welfare programs at the state level. Only through this means can we take advantage of the tremendous resources available within 50 states rather than to capitulate to a single system which may not work.

We urge your serious consideration for the reaffirmation and strengthening of the community role and responsibility for welfare. We see a lessening of community responsibility for the welfare of our fellow man. Perhaps, this explains much of what is wrong in America today.

I mentioned earlier that it was not my intention to dwell on the negative aspects of H.R. 1. However, it would be remiss not to bring to your attention that the California Chamber of Commerce is unalterably opposed to the concept of a guaranteed annual income. This has the aspects of a negative income tax and provides no incentive to work. We feel legislation at any level should provide a strong incentive to work. The California Chamber of Commerce strongly supported the Talmadge Amendment to the Work Incentive Program and hopes that any future legislation will contain an absolute requirement for work in order to qualify for welfare.

Any federal legislation should provide for control of welfare administration by the states. I have touched on this several times and cannot overemphasize the importance of this point. Should the United States Congress decide to the contrary, the system would lose any semblance of flexibility. Innovation and experimentation on the part of the states would be vastly reduced and responsibility and interest at the local level would be badly eroded. We also think that federal administration would increase the total cost of welfare as against state administration (see cost impact study—attached).

This brings me to the question of manpower development as it relates to welfare. Welfare reform is not an answer to welfare problems. Reform merely solves welfare abuses and inequities which have existed in the system for many years. We feel that the solution to welfare lies in the development of a more sophisticated and realistic approach to manpower development and a practical, innovative job creation program.

The State Human Relations Agency and the California Chamber of Commerce, through its Statewide Welfare Committee, are undertaking a study to develop a more unified approach to employment. We plan to utilize all categories of resources available throughout California. The objective will be to develop a plan which emphasizes a "job guarantee" (employment) rather than a "annual wage guarantee". The Secretary of Health, Education and Welfare said that we have 54 non-systems of welfare in the United States. Apparently, he was not aware of the many states, including California, that are striving to reform existing welfare programs; or perhaps, he refuses to acknowledge this fact due to conceptual differences.

I would like to close with a few remarks concerning the tax structure of California as it relates to the existing welfare system. Last year when Governor Reagan's Welfare Reform program was under consideration in the California legislature, I had occasion to obtain written responses from approximately 35 of the 58 countries concerning a position on pending legislation. It was interesting to note that not one of them took serious exception to any of the provisions contained in the proposed legislation, except where there were financial implications. As a result, many of these counties support for H.R. 1. The point is this! We found that in California, support for H.R. 1 at the county level was primarily based on the termendous tax burden (due to welfare) from high property taxes rather than on welfare reform. I personally talked to many of the county welfare directors, including Los Angeles county, and was advised that they could do as good or a better job in administering any welfare system at the county level. We suggest that fiscal relief at the federal level could possibly solve financial problems, including welfare, at the state and county levels.

REPORT TO
SENATE FINANCE COMMITTEE
UNITED STATES SENATE

the cost impact of h.r. 1 on the state of california

Welfare Department
California Chamber of Commerce
455 Capitol Mall, Suite 300
Sacramento, California 95814
Roy A. Green, Jr., Director

January, 1972

REPORT TO
SENATE FINANCE COMMITTEE
UNITED STATES SENATE

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the cost impact of h.r. 1 on the state of california

Prepared by the Welfare Department and
Legislative Research Analyst of the California Chamber of Commerce.

Jackie Martins
Research Analyst.

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Impact of H.R. 1

Welfare Will Cost More to the California Taxpayers Under H.R. 1

The U.S. Department of Health, Education and Welfare reported in 1971 to the House Ways and Means Committee that California would *save* approximately $234.9 million under H.R. 1, assuming the federal government would administer the program (see Appendix IV).

This study shows H.R. 1 will result in a *cost* increase to California of $91.2 million—a difference of $326.1 million. HEW did not, at the time of their report, have data available for the recent California Welfare Reform Program. They utilized 1967 estimates and did not take into consideration the costs of special needs. The total (federal, state and counties) cost impact of H.R. 1 on California with federal administration of the state supplement is a net increase of $532.3 million.

If the state of California decides against the option of hold harmless (to avert federal administration and, thus, control over the state supplemental payments), the increased cost of H.R. 1 to California over the existing welfare program would be $255.5 million. The total cost impact would be $524.1 million.

Below are the changes in cost that would result under H.R. 1. It is important to understand that, although under federal administration of the state supplemental payments, the counties show a net savings, the combining of state and county costs (the total non-federal costs) reflects an increase to the California taxpayer—not to mention the substantial increase as a federal taxpayer as well.

H.R. 1 Under State Administration of Supplemental Payments Compared with Current Law

(In Millions)

	Welfare Costs Under H.R. 1	minus	Welfare Costs Under Current Law	is	The Impact of H.R. 1 Over Current Law
Total (Federal-State-Counties)	$3,108.1	—	$2,584.0	=	+ $524.1
Federal	1,696.7	—	1,428.1	=	+ 268.6
NON-FEDERAL (State-Counties)	1,411.4	—	1,551.9	=	+ 255.5
State	952.0	—	772.4	=	+ 179.6
Counties	459.4	—	383.5	=	+ 75.9

H.R. 1 Under Federal Administration Compared with Current Law

(In Millions)

	Welfare Costs Under H.R. 1	minus	Welfare Costs Under Current Law	is	The Impact of H.R. 1 Over Current Law
Total (Federal-State-Counties)	$3,116.3	—	$2,584.0	=	+ $532.3
Federal	1,869.2	—	1,428.1	=	+ 441.1
NON-FEDERAL (State-Counties)	1,247.1	—	1,155.9	=	+ 91.2
State	906.4	—	772.4	=	+ 134.0
Counties	340.7	—	383.5	=	— 42.8

Introduction to Study

The enclosed study shows the cost impact of the President's proposed national welfare reform program on the state of California. It has been prepared for presentation by Roy A, Green, Jr., Director of the Welfare Department of the California Chamber of Commerce, in formal testimony to the U.S. Senate Finance Committee.

Basis for Study

The study is based on the Social Security Act as it would be amended by Titles III, IV and V of H.R. 1. With one exception, the provisions of the bill as it passed the House of Representatives have been used throughout. In estimating the level of state supplemental payments, this study uses January 1, 1972, rather than January 1, 1971, as the base date for its adjusted payment level which would be covered by the "hold harmless" provision contained in Section 503.

Comparative Cost Assumptions

This study compares the cost of welfare (cash grants, administration and social services) for the federal, state and county governments projected to fiscal 1972-1973 under current law (see Part A) versus the same costs under H.R. 1 using two assumptions:

1. Welfare costs assuming federal administration of state supplemental payments on behalf of the State, in which case the "hold harmless" clause would be in effect and the federal government would bear the cost of administering the supplemental payments (see Part B).
2. Welfare costs under H.R. 1 assuming the state would administer its supplemental payment program in which case it would pay for the cost of administering it and the "hold harmless" clause would not be in effect (see Part C).

We have also assumed that the state-county cost sharing will continue as in current law.

Methods Utilized in This Study

Clarification of terminology used in this study can be found on page 7. Throughout this study, projections were based primarily on California State Department of Social Welfare (SDSW), November 1971 estimates. Caseloads, administrative costs, food stamp bonus values and social services projections were developed through routine SDSW projection methods. Methodology display makes up the substantial portion of this study to justify estimates. Although presumably, H.R. 1 would not affect recipients until the effective date of the bill, July 1973 (fiscal 1973-1974), estimates in this study were made for fiscal 1972-1973 because of the desired cost consistency among programs and also because of the availability of data.

Family Programs—Use of Computerized Simulation Model

Family program projections were derived through computerized simulation models taking into account the California Welfare Reform Program changes in need and payment standards which were passed by the 1971 Legislature and went into effect on October 1, 1971. The AFDC simulation models used 5,516 actual AFDC cases. Projections used were routine SDSW estimates. To test the validity of the model, tests were made comparing simulated data from the model with actual data—variance was insignificant. From the AFDC model, an H.R. 1 model was set up. The latter was originally the AFDC model adapted for H. R. 1 use by adding H.R. 1 provisions.

Working Poor—Based on HEW Estimates

Determination of the caseload for the working poor in California was not possible. Thus, this study utilized the Department of Health, Education and Welfare (HEW) report that the working poor would increase the AFDC caseload in California by 15.3%. A separate section on the working poor (see Part D) was utilized because of the various special provisions related to this group alone. However, subtotals including both family programs and working poor costs can be found on Table III.

Adult Programs—Comparison of Critical Elements

Five factors were considered to have substantial impact on the adult caseload under H.R. 1 (see Appendix VII):

1. A reduction in the required duration of disability;
2. Definition of disability in terms of employability only;
3. Removal of age minima which affects AB and ATD;
4. Possible eligibility of alcoholics (ATD would be affected);
5. Changes in property restrictions which would affect all programs.

Estimates of these effects were based on a 1970 Federal Survey of 3,537 aid recipients and on earlier state surveys when the federal survey proved inadequate. This study takes into account the increased ATD caseload and decrease in allowed exemptions from income under federal interpretation and the new method of computing first a federal benefit and then a non-federal benefit.

Adult Children Responsibility

Under current law, adult children (responsible relatives) of OAS recipients are obligated to make a contribution to the county in cash or to the recipients in kind. Half of this sum is returned to the federal government. As a result, after estimating the OAS cash grant expenditures, this offset from expected collections from OAS responsible relatives makes a difference in the total impact of about $6 million. This study primarily considered the totals without the offset because of the current questions being raised in the courts about the collection of this offset from responsible relatives. However, for those who are concerned with the exclusion of the offset, offset estimates are cited in parentheses.

Conclusion

All of the major provisions of H.R. 1 have been taken into consideration for this analysis. However, this report does not purport to have included every detail, since in too many instances, other factors outside of the welfare proposal would have had to be considered. In matters of policy not covered explicitly by H.R. 1 or subject to state option, assumptions based on probable and/or possible California actions were inserted and brought forth to complete this study. As nearly as possible, assumptions were based on current California welfare policies, for instance, in the approach to special needs.

TABLE I

Summary of Costs by Program

(In Millions)

Program	Under Current Law	Under H.R. 1 Assuming Federal Administration	Under H.R. 1 Assuming State Administration of Supplement
ADULTS	$ 986.9	$1,341.2	$1,199.9
FAMILIES	1,597.1	1,665.7	1,798.8
WORKING POOR	....	109.4	109.4
ALL PROGRAMS	$2,584.0	$3,116.3	$3,108.1

TABLE II

Summary of Total Cost Sharing

(In Millions)

	Under Current Law	Under H.R. 1 Assuming Federal Administration	Under H.R. 1 Assuming State Administration of Supplement
FEDERAL	$1,428.1	$1,869.2	$1,696.7
NON-FEDERAL	1,155.9	1,247.1	1,411.4
STATE	772.4	906.4	952.0
COUNTY	383.5	340.7	459.4

TABLE III

WELFARE COST COMPARISONS OF H.R. 1 AND CURRENT CALIFORNIA LAW—BY EXPENDITURE CATEGORIES

(In Millions)

ADULT PROGRAMS

Cash Grant Expenditures including all Care Costs except Intermediate Care	PART A CURRENT LAW Total	Federal	Non-Federal	State	County	PART B FEDERAL ADMINISTRATION: HOLD HARMLESS Total	Federal	Non-Federal	State	County	PART C STATE ADMINISTRATION OF SUPPLEMENTAL PAYMENTS Total	Federal	Non-Federal	State	County
OAS	$ 407.4	$ 203.5	$ 203.9	$203.9	....	$ 920.9	$ 537.0	$ 383.9	$327.0	$ 56.9	$ 407.7	$ 156.6	$ 251.1	$251.1	....
AB	28.1	14.0	14.1	14.1	....						28.1	12.4	15.7	15.7	....
ATD	342.2	170.2	172.0	86.0	86.0						404.9	229.1	175.8	87.9	87.9
Intermediate Care	26.7	13.3	13.4	12.5	.9	Covered under Medi-Cal					Covered under Medi-Cal				
Food Stamp Cash Out	8.6	8.6	....	....	....	42.1	....	42.1	33.1	9.0	42.1	....	42.1	33.1	9.0
Sub-total of Above	$ 813.0	$ 409.6	$ 403.4	$316.5	$ 86.9	$ 963.0	$ 537.0	$ 426.0	$360.1	$ 65.9	$ 882.8	$ 398.1	$ 484.7	$387.8	$ 96.9
Care and Other Special Needs	Included in grants above					141.1	....	141.1	110.3	30.8	Included in grants above				
Administration of Cash Grants	86.0	43.0	43.0	21.5	21.5	92.0	92.0	....	....	....	172.0	86.0	86.0	43.0	43.0
Administration of Special Needs	Included in Administration: Cash Grants above					71.0	....	71.0	35.5	35.5	71.0	....	71.0	35.5	35.5
Social Services	87.9	65.9	22.0	....	22.0	74.1	55.6	18.5	....	18.5	74.1	55.6	18.5	....	18.5
Offset from OAS Responsible Relatives Expected Collections	(42.2)	(21.1)	(21.1)	(21.1)	....	(26.9)	....	(26.9)	(26.9)	....	(26.9)	....	(26.9)	(26.9)	....
(TOTAL WITH OFFSET)	($ 944.7)	($ 487.4)	($ 447.3)	($316.9)	($130.4)	($1,314.3)	($ 684.6)	($ 629.7)	($479.0)	($150.7)	($1,173.0)	($ 539.7)	($ 633.3)	($439.4)	($193.9)
TOTAL	$ 986.9	$ 518.5	$ 468.4	$338.0	$130.4	$1,341.2	$ 684.6	$ 656.6	$505.9	$150.7	$1,199.9	$ 539.7	$ 660.2	$466.3	$193.9
FAMILY PROGRAMS															
Cash Grant Expenditures	$1,102.1	$ 543.0	$ 559.1	$396.5	$162.6	$1,172.4	$ 786.2	$ 386.2	$260.7	$125.5	$1,172.4	$ 758.6	$ 413.8	$279.3	$134.5
Food Stamp Cash Out	117.0	117.0	....	....	....	138.6	....	138.6	138.6	....	138.6	....	138.6	138.6	....
Sub-Total of Above	$1,219.1	$ 660.0	$ 559.1	$396.5	$162.6	$1,311.0	$ 786.2	$ 524.8	$399.3	$125.5	$1,311.0	$ 758.6	$ 552.4	$417.9	$134.5
Special Needs	(Included in grant expenditures)					12.1	....	12.1	....	12.1	12.1	....	12.1	....	12.1
Administration of Cash Grants	135.6	67.8	67.8	33.9	33.9	135.6	135.6	....	....	....	271.2	135.6	135.6	67.8	67.8
Administration of Special Needs	(Included in Administration of Cash Grants)					2.5	....	2.5	1.25	1.25	(Included in Administration of Cash Grant)				
Social Services	242.4	181.8	60.6	4.0	56.6	204.5	153.4	51.1	....	51.1	204.5	153.4	51.1	....	51.1
TOTAL	$1,597.1	$ 909.6	$ 687.5	$434.4	$253.1	$1,665.7	$1,075.2	$ 590.5	$400.5	$190.0	$1,798.8	$1,047.6	$ 751.2	$485.7	$265.5
PART B—WORKING POOR															
Cash Grant Expenditures	....	....	....	....	....	$ 88.7	$ 88.7	....	....	....	$ 88.7	$ 88.7	....	....	....
Administration of Cash Grants	....	....	....	....	....	20.7	20.7	....	....	....	20.7	20.7	....	....	....
TOTAL	....	....	....	....	....	$ 109.4	$ 109.4	....	....	....	$ 109.4	$ 109.4	....	....	....
FAMILY PROGRAMS AND WORKING POOR															
TOTAL	$1,597.1	$ 909.6	$ 687.5	$434.4	$253.1	$1,775.1	$1,184.8	$ 590.5	$400.5	$190.0	$1,908.2	$1,157.0	$ 751.2	$485.7	$265.5
GRAND TOTAL ADULTS AND FAMILIES AND WORKING POOR															
GRAND TOTAL	$2,584.0	$1,428.1	$1,155.9	$772.4	$383.5	$3,116.3	$1,869.2	$1,247.1	$906.4	$340.7	$3,108.1	$1,696.7	$1,411.4	$952.0	$459.4

Terminology

GRANT=The assistance payment or cash payment made to recipients for basic needs. It includes both the federal benefit and the state supplemental payment.

FEDERAL BENEFIT=The portion of the grant that meets the federal assistance standard and is paid for by the federal government.

STATE SUPPLEMENT OR STATE SUPPLEMENTAL PAYMENT=The amount of the grant which the state (and counties) make to recipients above the federal benefit level.

FOOD STAMP BONUS OR CASH OUT=The value of the food stamp above what the purchaser actually pays for when buying food stamps.

NON-FEDERAL=State (General Fund) and counties.

NON-EXEMPT INCOME=Income to be considered countable for establishing the grant and/or the assistance standard.

COST IMPACT=The net increase or decrease, expressed in millions of dollars, in cost of H.R. 1, measured against the California Welfare Reform Act of 1971.

PART A

1972-1973 Welfare Costs Under Current Law

FAMILY PROGRAMS

Cash Grant Expenditures

Projections are from Department of Social Welfare Program Estimates, November 1971 (see Appendix I).

(In Millions)

	Total	Federal	Non-Federal	State	County
AFDC-FG	$ 971.4	$478.5	$492.9	$352.0	$140.9
AFDC-U	130.7	64.5	66.2	44.5	21.7
TOTAL	$1,102.1	$543.0	$559.1	$396.5	$162.6

Food Stamps

DSW estimates were used on the bonus value of food stamps according to regulations, effective January 1, 1972, prior to Secretary Butz's new orders regarding implementation of the 1971 regulations.

The average bonus value per person per month was found to be $7.37 or a yearly bonus of $88.44.

It is assumed that the food stamp program would be operating in all California counties during 1972-1973 and that 80% of the welfare recipients under current law would receive food stamps.

1,653,600 = AFDC caseload (DSW caseload estimate)
× 80% = number of welfare recipients expected to receive food stamps

1,322,880 = food stamp recipients
× $88.44 = annual average food stamp bonus value per person

$116,995,500 = federal cost of food stamps bonus (there is no local cost for food stamps bonus)

Special Needs and Special Needs Administration

Included in grant expenditures and administrative costs.

Administrative Costs: Cash Grants

See Appendix V, DSW Projection Report.—State and county will divide costs equally.

(In Millions)

$135.6 = total administrative cost
−67.8 = federal administrative cost

$ 67.8 = non-federal administrative cost
×50% = state administrative cost

$ 33.9 = state administrative cost
$ 33.9 = county administrative cost

Social Services

See Appendix VI, DSW Projection Report

(In Millions)

$242.4 = total social services cost
−181.8 = federal share of social services cost

$ 60.6 = non-federal cost for social services
−4.0 = state appropriation for child care services and family planning

$ 56.6 = county cost for social services

ADULT PROGRAMS

Cash Grant Expenditures

Primarily the cash grant expenditures were taken from the DSW Welfare Program Estimates (see Appendix I). The Out-of-Home-Care cost was added to the Cash Grant Expenditures. Expected contributions from OAS responsible relatives of $42.2 million were added back so that they could be displayed separately (see below).

Intermediate Care

Taken from DSW Welfare Program Estimates (see Apendix I).

Food Stamps

Under current law, the food stamp bonus is a totally federal cost. SDSW estimates the average food stamp bonus an adult receives is $6/month or $72/year and that 20.5% of OAS, 17.6% of AB, and 24.5% of ATD recipients participate.

Program	Caseload		Percent Incidence		Food Stamp Bonus		Food Stamp Cost (In Millions)
OAS	320,300	×	20.5	×	$72	=	$4.7
ATD	211,200	×	24.5	×	72	=	3.7
AB	14,300	×	17.6	×	72	=	0.2
TOTAL							$8.6

Special Needs and Special Needs Administration

Included in grant expenditures and administrative costs.

Social Services

SDSW estimates from November 15, 1971 report (see Appendix V and VI), the most recent estimates available.

The non-federal administrative costs will be shared between state and county equally. Non-federal social services costs are solely county costs.

Offset from OAS Responsible Relatives

$16.46 = average liability by responsible relatives
× 2 = average OAS recipient has 2 responsible relatives

$32.92 = average monthly contribution by responsible relatives
× 12 = months

$395.04 = average annual contributions by responsible relatives
× 33⅓% = proportion of total expected collection liability

$131.68 = expected collection per OAS recipient
× 320,300 = OAS caseload

$42,177,104 = offset from OAS responsible relatives expected collections

Total with offset indicates total cost if all of the expected responsible relatives share is collected.

Total without offset indicates total cost if none of the expected responsible relatives share is collected.

There are two totals because of the questions being raised in the courts about the collection of the responsible relatives portion.

PART B

1972-1973 Welfare Costs Under H.R. 1 Assuming Federal Administration and Hold Harmless

FAMILY PROGRAMS

Cash Grant Expenditures and Hold Harmless

The state and counties are held harmless for the total amount of supplemental payments which exceed the non-federal costs of grants paid to federally eligible recipients in calendar 1971.

The non-federal expenditures for supplemental payments for calendar 1971 were based on six months actual and six months projected data. For calendar 1971, the non-federal expenditures are:

(In Millions)

Total Non-Federal	State	County
$545.2	$340.6	$204.6

The total AFDC caseload for calendar 1971 = 1,568,600 recipients.

$347.60 or $348 average non-federal cost per person
($545.2 million non-federal cost ÷ 1,568,600 recipients)

Using the AFDC model, it was found that some 60,363 persons or about 3.9% of the total 1,568,600 recipients would be federally ineligible due to one or a combination of the following reasons:

1. Unemployed less than 30 days
2. Receiving Unemployment Insurance Benefits
3. Work more than 100 hours per month

Therefore, from the current law caseload, the total recipients that would be federally eligible (under H.R. 1) would be:

1,568,600 − 60,363 = 1,508,237 recipients to be considered for hold harmless purposes

1,508,237 recipients
× $348 average non-federal cost per recipient

$524.8 million = non-federal cost for hold harmless purposes

$524.8 million = hold harmless ceiling

Using H.R. 1 grant cost projections (see Part C) and the non-federal cost estimates as above, the total grant cost of H.R. 1, if the federal government administers and holds harmless the state-county costs, is:

(In Millions)

Total	Federal	Non-Federal	State	County
$1,172.4	$758.6	$413.8	$279.3	$134.5

Under H.R. 1, the state supplemental payment would be adjusted so that each recipient received in cash the bonus value of food stamps.

(In Millions)

$413.8 = non-federal cost for grants (see above)
+138.6 = food stamp bonus (see Part C)

$552.4 = total non-federal 1972-73 cost for supplemental payments for hold harmless purposes

−524.8 = hold harmless ceiling (see above)

$ 27.6 = difference to be carried by the federal government

$758.6 = federal cost for federal benefits (see above)
+ 27.6 = federal cost of hold harmless

$786.2 = total federal cost for grants

$413.8 = non-federal cost for state supplement for hold harmless purposes
− 27.6 = federal cost of hold harmless

$386.2 = non-federal cost for grants
×67.5% = state share

$260.7 = state costs for grants

386.2 = non-federal cost for grants
×32.5% = county share

$125.5 = county costs for grants

Food Stamps

(See Part C)

Special Needs

(Same as Part C)

Administrative Costs: Cash Grants

It is assumed administrative cost per person under current law would be the same under H.R. 1. Under H.R. 1, if the state chooses to come under the hold harmless clause, the federal government would assume all costs related to the administration of grants, including the state supplemental payments.

Administrative Costs: Special Needs

Under H.R. 1 assuming federal administration of the state supplemental payments, the state would still be responsible for administration of special needs since H.R. 1 does not provide for special needs. It is assumed that all eligible for the state supplement would be eligible for special needs. It is also assumed that administrative cost per person for special needs is the same as the cost per person of administering the cash grants under current law.

$82 = average administrative cost per person
(Total 1972-73 administrative cost of $135.6 million ÷ 1,653,600 AFDC caseload)

DSW statistics show approximately 2% or 27,314 of the AFDC-FG cases and 1.5% or 3,020 of the AFDC-U cases would receive the state supplement and therefore the special needs. This is a total of 30,334 recipients eligible for special needs.

30,334 = recipients eligible for special needs
× $82 = average administrative cost per person
$2.5 million = special needs administrative cost

It is assumed that the state and counties will divide the administrative costs equally: $1.25 state, $1.25 counties.

Social Services

(See Part C)

ADULT PROGRAMS

Average Non-Exempt Income Under H.R. 1

Federally non-exempt income under H.R. 1 would be slightly higher than under current law. The federal government presumably would not count as income contributions paid to the counties by responsible relatives. On the other hand, the federal government would presumably not observe community property laws and income presently allocated to a spouse would all count as the recipient's income. Recipients of income in excess of the federal standard will have their excess income subtracted from the state supplement. Savings from the federal government's authority to cross-check with income records of the IRS above and beyond savings from welfare reform confidentiality provisions are expected to be minimal.

OAS

$83.72 = average net income of OAS recipient under current law
− 2.96 = in excess of federal assistance level under H.R. 1
+ 1.63 = allocation to non-recipient spouse
− .91 = average OAS offset from responsible relative
$81.48 = average federal non-exempt net income for OAS under H.R. 1

AB

$48.02 = average net income of AB recipient under current law
− 1.99 = in excess of federal assistance level under H.R. 1
+ .93 = allocation to non-recipient spouse
$46.96 = average federal non-exempt net income for AB under H.R. 1

ATD

$43.37 = average net income of ATD recipient under current law
− 2.05 = in excess of federal assistance level under H.R. 1
+ 1.64 = allocation to non-recipient spouse
$42.96 = average federal non-exempt net income for ATD under H.R. 1

In addition, under H.R. 1, there would be a reduction in the average federal benefit due to a reduction by ⅓ in the grant for those who receive support and maintenance in kind as a member of someone else's household. It is estimated that 21.8% in OAS, 30.5% in AB and 25.5% in ATD live as a member of someone else's household. We arbitrarily assumed that ½ of them would have their grants reduced by ⅓ due to in-kind income as under regulations under H.R. 1.

The reduction in the average federal benefit therefore would be:

OAS	½	× 21.8%	× ⅓	= 3.6%	reduction
AB	½	× 30.5	× ⅓	= 5.1	reduction
ATD	½	× 25.5	× ⅓	= 4.3	reduction

Under federal administration, state non-exempt income is similar to federally non-exempt income except for income coming under the state's community property laws. In addition, it is assumed the state will allow the $7.50 income exemption to everyone with income so all recipients would receive this $7.50 pass on (but not the $4.00 social security exemption).

For purposes of computing the state supplement, the amount allocated to a spouse does not count as income.

Excess income above the federal assistance level would offset the $7.50 exemption and the allocation to non-recipient spouse.

Therefore, the average net state non-exempt income is less than the average federally non-exempt income per recipient by the following:

Program	Non-Recipient Spouse Allocation		$7.50 Income Exemption		Excess Income		Non-Exempt Income Adjusted
OAS	$1.63	+	$7.50	−	$2.96	=	$6.17
AB	.93	+	7.50	−	1.99	=	6.44
ATD	1.64	+	7.50	−	2.05	=	7.09

Average Federal Assistance Standard

The federal assistance standard depends on institutional and marital status. Those living in institutions presently receiving $15 would receive $25 under H.R. 1 from the federal government. The standard of assistance for spouse cases would be $195 for the first year H.R. 1 was implemented, or, each recipient married to another adult program recipient would be eligible for a reduced grant of only $97.50 (a recipient married to a family program recipient would receive a full grant). The need standard for all others would be $130.

Therefore, the average federal assistance standard is as follows:

Program	Percent In Institutions		$25 Federal Benefit		Percent Married to Other Program Adult Recipient		Standard Assistance		Percent Eligible for Full Grant		Full Grant		Average Federal Assistance Standard
OAS	(0.8	×	$25)	+	(16.7	×	$97.50)	+	(82.5	×	$130)	=	$123.73
AB	(2.3	×	$25)	+	(15.0	×	$97.50)	+	(82.7	×	$130)	=	$122.71
ATD	(4.1	×	$25)	+	(8.5	×	$97.50)	+	(87.4	×	$130)	=	$122.93

Average State Supplemental Standard

Under federal administration, the state will have to abandon individualized need standards. One single state supplemental payment standard would have to be set rather than having seven budget methods as with special needs added on as presently. For purposes of making an estimate, it is assumed the state supplemental payment would be set as the amount allowed in January 1972 for aid to an individual in an independent living arrangement living alone (see Appendix X). The amount would be the allowance for basic needs, including maximum housing allowance plus the special needs common to the majority of adult recipients. The majority of OAS recipients receive a $4 household remedies allowance. The majority of OAS and AB recipients receive $4 for a phone.

Thus, the state supplemental standard:

Program	Allowance for Basic Needs		Allowance for Household Remedies		Allowance for Phone		State Supplemental Standard
OAS	$183	+	$4	+	$4	=	$191
AB	198		....	+	4	=	202
ATD	177		....		....	=	177

Cash Grant Expenditures and Hold Harmless

Total federal cash benefit expenditures are obtained by multiplying the average federal benefit by the H.R. 1 caseload. The average federal grant is the difference between the average federal assistance standard and the average federally non-exempt income, reduced by a fraction to account for the support and maintenance clause (see Average Non-Exempt Income Under H.R. 1 and Federal Assistance Standard above).

Program	Federal Assistance Standard		Federally Non-Exempt Income		Support and Maintenance In-Kind Reduction		Average Federal Benefit
OAS	($123.73	−	$81.48)	×	(1 − .036)	=	$40.73
AB	(122.71	−	42.96)	×	(1 − .051)	=	75.68
ATD	(122.93	−	42.96)	×	(1 − .043)	=	76.53

The federal cash benefit expenditures would be:

Program	Monthly Average Federal Benefit		Months		Caseload	Federal Cost for Federal Benefits (In Millions)
OAS	$40.73	×	12	×	320,300	$156.6
AB	75.68	×	12	×	14,300	13.0
ATD	76.53	×	12	×	249,500	229.1
Total						$398.7

Under federal administration, the average non-federal benefit is the average state supplemental payment standard minus the federal benefit level plus the non-exempt income adjustment.

Program	State Supplemental Standard		Federal Benefit Level		Non-Exempt Income Adjustment		Average Non-Federal Benefit
OAS	$191	–	$123.73	+	$6.17	=	$73.44
AB	202	–	122.71	+	6.44	=	85.73
ATD	177	–	122.93	+	7.09	=	61.16

The non-federal expenditure for hold harmless purposes would be:

Program	Non-Federal Benefit Grant		Months		Caseload		Non-Federal Expenditures (In Millions)
OAS	$73.44	×	12	×	320,300	=	$282.3
AB	85.73	×	12	×	14,300	=	14.7
ATD	61.16	×	12	×	249,500	=	183.1
TOTAL							$480.1

ATD non-federal expenditures would be shared equally between county and state.

$ 91.5 million is the county share of ATD expenditures
(ATD non-federal expenditures of $183.1 ÷ 2)

$480.1 million	= total non-federal cost
– 91.5 million	= county share of cost
$388.6 million	= state share of cost

The hold harmless clause guarantees that expenditures of the state supplemental payments would not exceed non-federal expenditures for calendar year 1971 (see Appendix VIII). This is assuming a July 1, 1973 implementation date. The clause does not apply to newly eligible recipients who have too much income to be eligible for a federal grant. Thus the fraction of new ATD cases added who have income above the federal standard would not be covered.

Under H.R. 1, the ATD caseload will increase by 18%. There is a 7% incidence of recipients in the caseload who have income in excess of federal standard. The product of the two, 1%, is an approximation of the percent of the caseload not covered by hold harmless. A reduction in ATD expenditures by this amount gives the state expenditures covered by hold harmless.

(In Millions)

$388.6	= state cost for 1972-1973 benefits for hold harmless purposes
+ 33.1	= state cost for 1972-1973 food stamp cash out purposes
$421.7	= state cost for state supplement
$ 91.5	= state cost of ATD benefits
+ 9.0	= state cost of ATD food stamp cash out
$100.5	= state cost of ATD state supplement
× .01	= percent not covered by hold harmless
$ 1.0	= amount not held harmless

$421.7 = state cost for state supplement for hold harmless purposes
− 1.0 = amount not held harmless

$420.7 = 1972-1973 state cost for benefits for hold harmless purposes
−326.0 = state costs for calendar 1971 (see Appendix VIII)

$ 94.7 = difference to be carried by federal government

$ 91.5 = county cost of ATD benefits
+ 9.0 = county cost of ATD food stamp cash out

$100.5 = county cost of ATD state supplement
× .01 = percent not covered by hold harmless

$ 1.0 = amount to be held harmless

$100.5 = county cost for state supplement for hold harmless purposes
− 1.0 = amount not held harmless

$ 99.5 = 1972-1973 county costs for benefits for hold harmless purposes
− 55.9 = county costs for calendar 1971 (see Appendix VIII)

$ 43.6 = difference to be carried by federal government

$398.7 = federal cost of federal benefits
+ 94.7 = excess of state hold harmless level cost
+ 43.6 = excess of county hold harmless level cost

$537.0 = federal cost for grants

$326.0 = state costs at hold harmless level
+ 1.0 = not covered by hold harmless

$327.0 = state costs for grants

$ 55.9 = county costs at hold harmless level
+ 1.0 = not covered by hold harmless

$ 56.9 = county cost for grants

$327.0 = state cost for grants
+ 56.9 = county cost for grants

$383.9 = non-federal cost for grants

Food Stamps

Under H.R. 1, the state supplemental payment would be adjusted so that each recipient receives in cash the bonus value of food stamps. Since the food stamp program per se would not be in effect, the incidence of recipients who once received food stamps would not be identified. Therefore, it can arbitrarily be assumed that all the adult recipients under H.R. 1 will benefit from the increased level of the state supplement due to the food stamps. The state and county costs of this adjustment would presumably be the same as with the state supplemental payment. That is, the state will assume all of the OAS, AB and one-half of the ATD costs and the counties will assume one-half of the ATD costs.

Program	Caseload		Bonus Food Stamps		Food Stamp Cost (In Millions)
OAS	320,300	×	$72	=	$23.1
AB	14,300	×	72	=	1.0
ATD	249,400	×	72	=	18.0
TOTAL NON-FEDERAL COST					$42.1

$23.1 million = OAS food stamp cost
1.0 million = AB food stamp cost
9.0 million = ½ ATD food stamp cost

$33.1 million = state share of food stamp cost
$ 9.0 million = ½ ATD food stamp cost for counties

Special Needs

It is assumed that everyone presently budgeted "board and care" would receive a special grant up to his current rate. It's further assumed for purposes of this estimate that all special needs would be allowed in the same amount and with the same frequency as under current law, except for those special needs already included in the state supplemental standard (see above). It is also assumed that the per person cost of administering care and special needs would, on the average, be the same as the per person cost of administering income maintenance.

The rate for board and care I is $221 and the rate for board and care II is $232 (see Appendix IX). The difference between these rates and the state supplemental standard is the cost of care through the social services system. The cost of care times the incidence of recipients receiving it is the additional cost spread across the caseload.

Program	Board and Care I		Supplemental Standard		Percent Incidence		Board and Care II		Supplemental Standard		Percent Incidence		Additional Care Costs
OAS	($221	−	$191)	×	3.3	+	($232	−	$191)	×	4.2	=	$2.71
AB	(221	−	202)	×	4.2	+	(232	−	202)	×	5.6	=	2.48
ATD	(221	−	177)	×	4.3	+	(232	−	177)	×	6.9	=	5.69

The average allowance for special needs excluding phone is $20.51 in OAS, $20.54 in AB, $14.93 in ATD. However, 90% of OAS recipients receive the $4 household remedy allowance already covered in the grant (see above). The remaining average special need would be:

$20.51 = average special need for OAS
− 3.60 = (90% × $4 household remedy allowance)

$16.91 = OAS special need

The total cost would be:

Program	Additional Care Cost		Special Need		Months		Caseload		Non-Federal Costs for Special Needs (In Millions)
OAS	($2.71	+	$16.91)	×	12	×	320,300	=	$ 75.4
AB	($2.48	+	$20.54)	×	12	×	14,300	=	4.0
ATD	($5.69	+	$14.93)	×	12	×	249,500	=	61.7
TOTAL NON-FEDERAL COST									$141.1

It is assumed that ATD expenditures would be shared equally between county and state.

$30.8 = county cost for special needs
(ATD special needs cost of $61.7 ÷ 2)

Administrative Costs: Cash Grants

Under federal administration, the federal government would bear the entire cost for cash grant administration. It is assumed that per person costs would remain the same so that total costs would increase in proportion to increased caseload.

The estimated current law administrative expenditures divided by the total adult caseload gives a per person administrative cost of $157.47 per year. This multiplied by the H.R. 1 caseload of 584,100 gives the administrative cost of $92 million.

Administrative Costs: Care and Special Needs

It is assumed that the federal government, in administering state supplemental payments on behalf of the state would limit itself to the basic payments, i.e., grants based on the flat supplemental payment standards for each program, as described above. Thus, the state would have to provide for the administration of any additional allowances the state wishes to provide to meet special needs such as non-medical out-of-home care, extra cost of restaurant meals, therapeutic diets, etc. It is assumed that this will be handled through the state/county social service system.

The administrative cost for care and special needs is $157.57 per person per year. Incidences of care and special needs are 87.3% for OAS, 80.4% for AB and 64.0% for ATD.

Program	Percent Incidence		Caseload		Administrative Cost		Cost for Care and Special Need Administration (in Millions)
OAS	87.3	×	320,300	×	$157.57	=	$44.10
AB	80.4	×	14,300	×	157.57	=	1.81
ATD	64.0	×	249,400	×	157.57	=	25.15
TOTAL NON-FEDERAL COST							$71.1

It is assumed that the administrative cost of care and special needs would be a totally non-federal cost shared equally between state and county.

Social Services

The cost of social services is assumed to remain the same no matter who administers the cash grant (see Part C).

OAS Responsible Relatives

Under H.R. 1, the state would be able to collect reimbursement from responsible relatives only for its share of the grant. It is estimated the contribution would drop to $26.9 million (see Part A also).

PART C

1972-1973 Welfare Costs Under H.R. 1 Assuming State Administration of Supplemental Payments

FAMILY PROGRAMS

Cash Grants

Using SDSW, November 1971, caseload estimates for fiscal 1972-1973, the caseload would be 1,653,600 family persons. (Average family size=3.36 persons)

Using SDSW H.R. 1 model, it was determined that the average federal benefit per year would be $524.62.

Also using SDSW H.R. 1 model, it was estimated that 87.2% or 1,260,200 AFDC-FG persons and 89.2% or 185,900 AFDC-U persons would be eligible for federal benefits.

1,260,200 = AFDC-FG persons eligible under H.R. 1
+ 185,900 = AFDC-U persons eligible under H.R. 1
1,446,100 = AFDC persons eligible for federal benefits
× $524.62 = annual federal benefit per person
$758.6 million = total cost for federal benefits

State Supplement

According to the model, 94.5% or 1,365,700 AFDC-FG cases and 96.6% or 201,300 AFDC-U cases would be eligible for the state supplement. The average state supplement was estimated at $74.15 per family per month or $264.02 average state supplement per person per year.

1,365,700 = AFDC-FG cases eligible for state supplement
+ 201,300 = AFDC-U cases eligible for state supplement
1,567,000 = total H.R. 1 cases eligible for state supplement
× $264.02 = average annual state supplement per person
$413.8 million = non-federal costs for state supplement (not including food stamp bonus)
× 67.5% = state share of state supplement
$279.3 million = state cost of state supplement

$413.7 = non-federal cost of state supplement (in millions)
× 32.5% = county share of state supplement
$134.5 = county cost of state supplement (in millions)

Food Stamps

The bonus value of food stamps is an average of $7.37 per month per case or $88.44 per year per case.

Under H.R. 1, the average state supplemental payment per person would be increased by the average bonus value of food stamps.

1,567,028 = persons eligible for state supplement
× $88.44 = food stamp bonus
$138,587,956 = cost of food stamps

State will assume total food stamp cost through cash grant under H.R. 1.

Special Needs

Since H.R. 1 does not provide for special needs, this cost will have to be provided non-federally. The special need itself is assumed to be carried totally (100%) by the counties.

From DSW, the average cost of the special need is $109.92/family or $33.92/person (using 3.24 persons per family) for AFDC-FG cases and $115.52/family or $25.67/person (using 4.5 persons per family) for AFDC-U cases.

$34 average special need for an AFDC-FG case
×12 months
$408 per person annually for special needs
×27,314 AFDC-FG cases
$11,144,122 = cost of special needs for AFDC-FG cases

$26 average special need for an AFDC-U case
×12 months
$312 per person annually for special needs
× 3,020 AFDC-U cases
$942,240 = cost of special need for AFDC-U cases

$11,144,122
+ 942,240
$12,086,362 = total county cost for special needs

Administrative Costs: Cash Grants and Special Needs

Estimates based on DSW Administrative Cost Tables (see Appendix II and III). It is assumed that administrative costs will be the same under H.R. 1. Under state administration, there will be two administrative systems—one federal to maintain federal benefits and one state to maintain the state supplement and the special needs program. A special administrative cost for special needs is cited for the adult program and not for the family program because the incidence in the latter is negligible as compared with the adult program. The non-federal cost would be divided equally between state and county.

Social Services

Under H.R. 1, social services will come under a closed end appropriation. Assuming Congress appropriates the full $800 million authorization, the closed end appropriation is to be divided among the states in the same proportions they received in fiscal 1971-1972. For California, the proportion would be 26% for $209 million of the $800 million. Child care and family planning services are not included in this appropriation; however, efforts to locate absent parents will now come under the services program. There is no way of estimating the effects of taking child care and family planning out of the services programs and putting in services to locate absent parents.

The $209 million must be divided among family and adult programs.

Using DSW county administrative costs (see Appendix VI), we find the family programs make up 73.4% and the adult programs make up 26.6% of the total services administrative cost. (Total=$330.3 million. Family [AFDC] costs $242.4 million or 73.4%.)

Using same proportions as above:

$209,000,000 = federal cost of California services
× 73.4% = AFDC or families share
$ 153.4 million = federal share for family services

$209,000,000 = federal cost of California services
× 26.6% = adult share
$ 55.6 million = federal share for adult services

Total expenditures for services:

(In Millions)

	Total	Federal	County
TOTAL	$278.6	$209.0	$69.6
Families	204.5	153.4	51.1
Adult	74.1	55.6	18.5

ADULT PROGRAMS

Cash Grant Expenditures

Under state administration, the federal and state governments would maintain separate income maintenance systems. It is assumed the state will administer its program so total cash grants would be the same as under current law.

Total federal cash benefits (see Part B).

Total state expenditures are estimated to be the difference between the projections of total current law grant expenditures and federal benefit expenditures (See Part A for current law expenditures and Part B for federal benefit expenditures). The only adjustment necessary in the total current law projection is a slight increase to account for a federal grant under H.R. 1 of $25 to institutionalized recipients who currently receive $15. The adjustment for $15 cases is as follows:

Program	Percent Institutionalized		Caseload		$25 minus $15		Months		$15 to $25 Adjustment (In Millions)
OAS	0.8	×	320,300	×	$10	×	12	=	$ .3
AB	2.3	×	14,300	×	10	×	12	=	minimal
ATD	4.1	×	211,200	×	10	×	12	=	1.0

Total current law states grant expenditures must be increased by the additional amount for institutionalized cases with proportionate adjustments for the increased ATD caseload minus the federal benefit expenditures.

(In Millions)

Program	Current Law Expenditures	$15 to $25 Adjustment	ATD Caseload Adjustment	Federal Benefit Expenditures	State Supplemental Payment Expenditures
OAS	$407.4	+ $0.3	N/A	− $156.6	= $251.1
AB	28.1	+ .0	N/A	− 12.4	= 15.7
ATD	(342.2	+ 1.0)	× (211,200 + 38,300) / (211,200)	− 229.1	= 175.8

The ATD non-federal cost is shared equally between state and county.

$175.8 non-federal cash grant cost for ATD (in millions)
× 50% shared by county and state
$ 87.9 = cost to county and cost to state (in millions)

Food Stamps

(See Part B)

Special Needs

(Included in the cash grants)

Administrative Costs: Cash Grants

It is assumed that with state administration of state supplemental payments under H.R. 1, there will be two administrative systems, one federal to maintain federal benefits and one state to maintain the state supplement. The state and county would divide the non-federal cost equally.

With the larger caseload, the cost of administration could be expected to increase proportionately. However, it is arbitrarily assumed that this increase would be offset by some administrative savings that would accrue if complete duplication of administration were avoided.

Administrative Costs: Care and Special Needs

(See Part B.) A special administrative cost is cited for the adult programs, despite the state administration of supplemental payments. This is unlike family programs, because the number of adults receiving special needs is substantial to make a cost difference. However, in family programs, the incidence of recipients receiving special needs is minimal, making the administrative cost of the special needs negligible.

Social Services

There is a closed end authorization for social services under H.R. 1. Assuming the federal government would appropriate $209 million for California's social services, it is estimated that $55.6 million would be for the adult programs. (See Family Programs in this Part C.)

Offset From OAS Responsible Relatives

(See Parts A and B.)

PART D

1972-1973 Welfare Costs Under H.R. 1 for the Working Poor

The Department of Health, Education and Welfare estimates the working poor will add an additional 15.3% to the California AFDC caseload.

1,653,600 = SDSW AFDC estimate
× 15.3% = additional cases (working poor)
253,001 = working poor

Cash Grant Expenditures

It is assumed the working poor will receive approximately the same federal benefits as working recipients. In computing the average federal benefit for those with incomes, the H.R. 1 model was used taking into account income brackets by family size with benefits. The result:

Under H.R. 1:

$ 95.32 = average federal benefit for an AFDC-FG family
$125.33 = average federal benefit for an AFDC-U family

To compute average benefit per person, SDSW November, 1971, caseload estimates were used and:

Average Family Size = 3.36
AFDC-FG = 3.24
AFDC-U = 4.50

$95.32 ÷ 3.24 = $29.41 = average federal benefit for AFDC-FG person
$125.33 ÷ 4.50 = $27.85 = average federal benefit for AFDC-U person

221,116 = AFDC-FG working poor additions
× $29.41 = average federal benefit for AFDC-FG person
$6,503,022

31,885 = AFDC-U working poor additions
× $27.85 = average federal benefit for AFDC-U person
$887,997

$6,503,022
+ 887,997
$7,391,019 = cash grant cost for adding working poor
× 12 months
$88,692,000 = federal cash grant cost for working poor

It is assumed the state will not supplement payments to the working poor. Neither will the state provide special needs to this group.

Administrative Costs: Cash Grants

Using DSW estimates, it costs $82 per person per year to administer cash grants for fiscal 1972-1973.

253,001 = working poor caseload
× $82 = administrative cost per person
$20,746,100 = administrative cost for working poor

State of California
Department of Social Welfare

APPENDIX I

December 8, 1971

WELFARE PROGRAM CASH GRANT ESTIMATES

1971-72 and 1972-73

Expenditures, Average Caseload, Ending Caseload and Average Costs—Comparison of 1972-73 with 1971-72—November 1971 Estimates

Item	EXPENDITURE ESTIMATES 1972-73 Total	1972-73 Federal	1972-73 State	1972-73 County	1971-72 Total	1971-72 Federal	1971-72 State	1971-72 County	Difference Total	Difference Federal	Difference State	Difference County
ALL PROGRAMS	$1,992,040,050	$959,431,850	$734,970,000	$297,638,200	$1,908,338,500	$916,373,400	$728,053,700	$263,911,400	$83,701,550	$43,058,450	$6,916,300	$33,726,800
OAS	376,185,000	187,881,800	188,303,200	....	373,852,000	186,716,600	160,401,200	26,734,200	2,333,000	1,165,200	27,902,000	(26,734,200)
AB	26,498,000	13,235,200	13,262,800	....	24,932,700	12,453,400	9,359,500	3,119,800	1,565,300	781,800	3,903,300	(3,119,800)
APSB	557,000	....	557,000	....	514,400	....	428,700	85,700	42,600	....	128,300	(85,700)
ATD	301,896,400	150,193,400	75,851,500	75,851,500	281,748,200	140,169,700	121,354,600	20,223,900	20,148,200	10,023,700	(45,503,100)	55,627,000
AFDC-FG	971,447,750	478,515,750	352,033,200	140,898,800	923,930,500	455,192,800	328,013,800	140,723,900	47,517,250	23,322,950	24,019,400	174,900
AFDC-U	130,660,000	64,521,200	44,445,300	21,693,500	150,405,000	69,941,400	54,082,600	26,381,000	(19,745,000)	(5,420,200)	(9,637,300)	(4,687,500)
AFDC-BHI	84,915,000	15,284,700	21,441,000	48,189,300	73,780,000	12,431,900	20,474,000	40,874,100	11,135,000	2,852,800	967,000	7,315,200
Out-of-home care	73,167,800	36,464,900	26,579,700	10,123,200	67,341,000	33,559,900	28,872,200	4,908,900	5,826,800	2,905,000	(2,292,500)	5,214,300
OAS	31,245,800	15,605,400	15,640,400	....	28,234,100	14,101,200	12,113,900	2,019,000	3,011,700	1,504,200	3,526,500	(2,019,000)
AB	1,630,600	814,500	816,100	....	1,553,200	775,800	583,100	194,300	77,400	38,700	233,000	(194,300)
ATD	40,291,400	20,045,000	10,123,200	10,123,200	37,553,700	18,682,900	16,175,200	2,695,600	2,737,700	1,362,100	(6,052,000)	7,427,000
Intermediate care	26,713,100	13,334,900	12,496,300	881,900	11,834,700	5,907,700	5,067,100	859,900	14,878,400	7,427,200	7,429,200	22,000
OAS	22,664,700	11,309,700	11,335,000	....	10,032,100	5,010,400	4,304,300	717,400	12,612,600	6,299,300	7,030,700	(717,400)
AB	558,200	278,800	279,400	....	247,400	123,600	92,900	30,900	310,800	155,200	186,500	(30,900)
ATD	3,510,200	1,746,400	881,900	881,900	1,555,200	773,700	669,900	111,600	1,955,000	972,700	212,000	770,300

Item	Average Caseload 1972-73	Average Caseload 1971-72	Average Caseload Difference	Ending Caseload 1972-73	Ending Caseload 1971-72	Ending Caseload Difference	Average Cost 1972-73	Average Cost 1971-72	Average Cost Difference
OAS	320,275	318,200	2,075	320,900	318,500	2,400	$ 97.88	$ 97.91	$(.03)
AB	14,255	13,950	305	14,365	14,150	215	154.90	148.94	5.96
APSB	235	225	10	240	230	10	197.52	190.52	7.00
ATD	211,150	202,900	8,250	214,500	207,000	7,500	119.15	115.72	3.43
AFDC-FG*	1,445,200	1,323,700	121,500	1,488,000	1,398,000	90,000	56.02	58.17	(2.15)
AFDC-U*	208,400	244,500	(36,100)	194,000	230,000	(36,000)	52.24	51.26	.98
AFDC-BHI	38,250	36,200	2,050	39,500	37,400	2,100	185.00	170.00	15.00
Out-of-home care†									
OAS	22,540	20,940	1,600	23,050	21,420	1,630	115.51	112.38	3.13
AB	1,080	1,030	50	1,100	1,050	50	126.31	126.05	.26
ATD	22,750	21,330	1,420	23,180	21,820	1,360	147.57	146.71	.86

*Caseload data represents total persons.
†Recipient counts given for out-of-home care are included in program caseload totals.

State of California
Department of Social Welfare

APPENDIX II

Estimated • COUNTY ADMINISTRATIVE COSTS* • 1971-72—1972-73

Item	Total				Services				Income Maintenance			
	TOTAL	Federal	State	County	TOTAL	Federal	State	County	TOTAL	Federal	State	County
1971-72												
TOTAL	$377,158,400	$240,143,600	$ 4,599,000	$132,415,800	$206,819,800	$154,974,300	$ 4,599,000	$ 47,246,500	$170,338,600	$ 85,169,300	$	$ 85,169,300
OAS	45,969,700	28,351,600	206,200	17,411,900	21,474,700	16,104,100	206,200	5,164,400	24,495,000	12,247,500	....	12,247,500
AB, APSB	3,878,100	2,465,800	18,700	1,393,600	2,106,700	1,580,100	18,700	507,900	1,771,400	885,700	....	885,700
ATD	57,071,700	36,207,900	584,400	20,279,400	30,690,700	23,017,400	584,400	7,088,900	26,381,000	13,190,500	....	13,190,500
AFDC	270,238,900	173,118,300	3,789,700	93,330,900	152,547,700	114,272,700	3,789,700	34,485,300	117,691,200	58,845,600	....	58,845,600
1972-73												
TOTAL	$398,558,400	$253,830,800	$ 49,824,500	$ 94,903,100	$218,806,700	$163,954,900	$ 4,886,600	$ 49,965,200	$179,751,700	$ 89,875,900	$ 44,937,900	$ 44,937,900
OAS	46,269,500	28,536,500	6,371,200	11,361,800	21,614,700	16,209,100	207,500	5,198,100	24,654,800	12,327,400	6,163,700	6,163,700
AB, APSB	3,964,300	2,520,600	471,800	971,900	2,153,500	1,615,200	19,100	519,200	1,810,800	905,400	452,700	452,700
ATD	59,392,200	37,680,100	7,471,500	14,240,600	31,938,500	23,953,200	608,100	7,377,200	27,453,700	13,726,900	6,863,400	6,863,400
AFDC	288,932,400	185,093,600	35,510,000	68,328,800	163,100,000	122,177,400	4,051,900	36,870,700	125,832,400	62,916,200	31,458,100	31,458,100

*Based on November 1971 caseload estimates.

NOTE: This does not include Medi-Cal, General Relief, other county-only programs, Boarding Home Licensing and Inspection, Child Welfare Services, Adoptions and Maternity Care or Food Stamp Programs.

State of California
Department of Social Welfare

APPENDIX III

Estimated • STATE ADMINISTRATIVE COSTS* • 1971-72—1972-73

Item	Total			Services			Income Maintenance		
	TOTAL	Federal	State	TOTAL	Federal	State	TOTAL	Federal	State
1971-72									
TOTAL	$71,223,300	$50,361,000	$20,862,300	$48,607,400	$36,372,500	$12,234,900	$22,615,900	$13,988,500	$ 8,627,400
OAS	2,161,200	1,359,300	801,900	229,100	171,800	57,300	1,932,100	1,187,500	744,600
AB, APSB	332,200	232,700	99,500	82,500	78,600	3,900	249,700	154,100	95,600
ATD	11,835,600	7,711,000	4,124,600	2,378,800	1,835,800	543,000	9,456,800	5,875,200	3,581,600
AFDC	56,894,300	41,058,000	15,836,300	45,917,000	34,286,300	11,630,700	10,977,300	6,771,700	4,205,600
1972-73									
TOTAL	$75,661,600	$53,528,800	$22,132,800	$51,883,700	$38,821,700	$13,062,000	$23,777,900	$14,707,100	$ 9,070,800
OAS	2,175,300	1,368,200	807,100	230,600	172,900	57,700	1,944,700	1,195,300	749,400
AB, APSB	339,600	237,900	101,700	84,300	80,300	4,000	255,300	157,600	97,700
ATD	12,316,800	8,024,600	4,292,200	2,475,500	1,910,500	565,000	9,841,300	6,114,100	3,727,200
AFDC	60,829,900	43,898,100	16,931,800	49,093,300	36,658,000	12,435,300	11,736,600	7,240,100	4,496,500

*Based on November 1971 caseload estimates.

NOTE: This estimate does not include Adoptions, Child Welfare Services, Boarding Homes and Institutions, Protective Services, Family Care and Private Institutions, Service Centers or Cuban Refugee Programs. Also, this estimate does not take into account the Departmental reorganization.

APPENDIX IV

ESTIMATED SAVINGS AND SHARES BY STATES

State	Estimated savings in welfare expenditures for state and local governments under H.R. 1, fiscal year 1973 (IN MILLIONS OF DOLLARS) STATE AND LOCAL SAVINGS IN WELFARE EXPENDITURES*					Federal and non-federal shares of maintenance payments by state under current law and under H.R. 1			
						MAINTENANCE PAYMENTS UNDER CURRENT LAW		MAINTENANCE PAYMENTS UNDER H.R. 1	
	Total	Adult Categories	Family Category	Hold Harmless Payment	Administrative Cost	Percent Federal	Percent Non-Federal	Percent Federal	Percent Non-Federal
Alabama	32.4	15.7	10.1	....	6.6	78.5	21.5	95.6	4.4
Alaska	2.5	−12.0	− .6	14.5	.6	31.4	68.6	70.2	29.8
Arizona	21.5	5.8	12.2†	....	3.5	57.6	42.4	90.4	9.6
Arkansas	19.7	12.4	4.6	....	2.7	79.8	20.2	100.0	....
California	234.9	−14.0	16.6	135.4	96.9	50.0	50.0	60.1	39.9
Colorado	13.3	8.0	3.5	....	1.8	57.6	42.4	71.5	28.5
Connecticut	21.3	−22.9	− 7.0	38.6	12.6	50.1	49.9	66.5	33.5
Delaware	1.8	1.4	− .4	.1	.7	58.2	41.8	75.5	24.5
District of Columbia	12.6	1.4	10.7	....	.5	50.1	49.9	72.4	27.6
Florida	170.3	35.4	128.9†	....	6.0	47.1	52.9	97.9	2.1
Georgia	51.8	22.3	19.7	....	9.8	76.7	23.3	97.7	2.3
Hawaii	7.0	2.4	3.5	....	1.1	50.9	49.1	69.0	31.0
Idaho	1.5	− 1.8	− 1.5	4.1	.5	68.8	31.2	79.7	20.3
Illinois	62.1	−69.0	7.1	105.3	18.7	50.0	50.0	69.0	31.0
Indiana	8.6	.8	− 6.2	10.5	3.5	61.4	38.6	78.5	21.5
Iowa	28.7	20.6	2.9	....	3.2	55.2	44.8	79.2	20.8
Kansas	14.2	8.4	2.2	....	3.6	57.7	42.3	77.4	22.6
Kentucky	12.6	15.3	− 8.3	....	5.6	76.0	24.0	87.8	12.2
Louisiana	65.4	31.4	22.3	....	11.7	73.7	26.3	98.6	1.4
Maine	3.6	5.2	−10.8	8.0	1.2	68.4	21.6	77.8	22.2
Maryland	41.9	10.9	25.3	....	5.7	51.5	48.5	83.3	16.7
Massachusetts	44.3	−50.9	− 8.7	91.1	12.8	50.0	50.0	64.5	35.5
Michigan	45.4	−44.5	17.0	55.9	17.0	50.0	50.0	69.6	30.4
Minnesota	15.2	−13.0	− 9.2	33.6	3.8	57.0	43.0	72.9	27.1
Mississippi	23.3	12.7	4.1	....	6.5	83.0	17.0	100.0	....
Missouri	12.1	− 2.6	−10.4	16.0	9.1	70.1	29.9	77.2	22.8
Montana	2.5	2.0	− .6	....	1.1	64.4	35.6	79.1	20.9
Nebraska	3.1	− 7.2	− 6.2	14.8	1.7	58.9	41.1	78.0	22.0
Nevada	1.1	− 4.5	....	4.7	.9	67.6	32.4	87.0	13.0
New Hampshire	2.3	− 7.2	− 2.6	11.7	.4	59.4	40.6	71.7	28.3
New Jersey	50.1	−43.0	−56.3	137.2	12.2	50.0	50.0	67.3	32.7
New Mexico	7.3	6.0	− .3	....	1.6	69.6	30.4	87.8	12.2
New York	188.4	−98.2	−41.0	213.6	114.0	50.0	50.0	63.2	36.8
North Carolina	31.9	19.6	7.5	....	4.8	72.5	27.5	95.5	4.5
North Dakota	1.0	− 1.7	− 1.9	3.9	.7	69.9	30.1	79.2	20.8
Ohio	64.0	18.8	37.9	....	7.3	56.2	43.8	81.8	18.2
Oklahoma	38.3	29.6	2.1	....	6.6	67.9	32.1	90.3	9.7
Oregon	15.9	8.4	4.5	....	3.0	57.4	42.6	78.8	21.2
Pennsylvania	51.3	−38.5	−48.2	124.8	13.2	55.4	44.6	68.2	31.8
Rhode Island	6.3	− 6.0	2.3	7.2	2.8	50.4	49.6	72.1	27.9
South Carolina	13.8	4.7	4.6	....	4.5	80.1	19.9	100.0	....
South Dakota	2.5	− 4.1	− 4.7	10.2	1.1	69.6	30.4	83.2	16.8
Tennessee	34.2	17.6	13.6	....	3.0	75.9	24.1	96.4	3.6
Texas	57.1	54.8	− 9.1	....	11.4	74.7	25.3	89.7	10.3
Utah	3.4	2.7	....	....	.7	70.3	29.7	82.9	17.1
Vermont	1.1	− 5.4	− 3.2	9.3	.4	65.1	34.9	78.6	21.4
Virginia	10.4	−26.4	−12.0	45.5	3.3	64.0	36.0	82.9	17.1
Washington	11.4	−12.4	− 7.2	28.2	2.8	50.0	50.0	68.0	32.0
West Virginia	18.3	8.0	8.5	....	1.8	70.2	29.8	96.5	3.5
Wisconsin	33.3	15.3	8.3	....	9.7	56.2	43.8	84.2	15.8
Wyoming	1.2	.9	− .5	.7	.7	60.3	39.7	76.2	23.8
Guam	.2	.1	.1	....	.02	58.3	41.7	81.3	18.7
Puerto Rico	28.1	4.6	16.9	....	4.6	50.1	49.9	100.0	....
Virgin Islands	1.1	.2	.7	....	.2	35.7	64.3	100.0	....
TOTAL	1,643.6	−82.3	140.8	1,124.9	460.2	56.4	43.6	74.8	25.2

*Estimates assume States maintain current benefit levels including food stamp benefits, and turn over program administration to the federal agencies.
†This estimate incorporates a State expectation of major program change under current law.
‡Does not include payments to families not now covered by present program.

SOURCE: House Ways and Means Committee Report No. 92-231

APPENDIX V

Form SRS-OA-25.3
Department of Health, Education, and Welfare
Social and Rehabilitation Service

Form Approved
OMB No. 83-R-1059
Approval Expires Feb. 28, 1973

STATE AGENCY PROGRAM EXPENDITURE PROJECTION REPORT
Part III - State and Local Administration and Training for the Maintenance Assistance Programs

California Department of Social Welfare
(State and Agency Name)

Titles Administered by this Agency I, IV, X and XIV — Date of Submittal November 15, 1971

Item (1-9)	FY 70-71 * (Col. 1)	FY 71-72 (Col. 2)	FY 72-73 (Col. 3)
A. Total State and Local Administrative Costs (in thousands)....(10-16)	186,357	211,025	221,576
1. Total Federal share (in thousands)....(17-23)	93,179	105,513	110,789
a. Total State and local administrative costs for Adult programs....(24-30)	72,174	81,895	85,989
(1) Federal share....(31-37)	36,087	40,948	42,995
b. Total State and local administrative costs for AFDC....(38-44)	114,183	129,130	135,587
(1) Federal share....(45-51)	57,092	64,565	67,794
B. Total Training Costs Attributable to Maintenance Assistance (in thousands)....(52-58)	--	--	--
1. Total Federal share (in thousands)....(59-65)	--	--	--

* Preliminary, final figures not yet available

APPENDIX VI

Form SRS-OA-25.4
Department of Health, Education, and Welfare
Social and Rehabilitation Service

Form Approved
OMB No. 83-R-0159
Approval Expires February 28,1973

STATE AGENCY PROGRAM EXPENDITURE PROJECTION REPORT
Part IV - Social Services and Training

California Department of Social Welfare
(State and Agency Name)

Date of Submittal Nov. 15, 1971

Item (1-9)	FY 70/71 * (Col. 1)	FY 71/72 (Col. 2)	FY 72/73 (Col. 3)
A. Total Social Service Costs (in thousands)..(10-16)	281,097	314,561	330,310
1. Total Federal share (in thousands)....(17-23)	210,823	235,936	247,733
a. Total adult social service costs....(24-30)	74,046	83,712	87,897
(1) Federal share at 75%....(31-37)	55,535	62,784	65,923
(2) Federal share at 50%....(38-44)	--	--	--
b. Total AFDC social services costs....(45-51)	207,051	230,869	242,413
(1) Federal share at 75%....(52-58)	155,288	173,152	181,810
(2) Federal share at 50%....(59-65)	--	--	--
B. Total Training Costs Attributable to Social Services (in thousands)....(10-16)	7,746	8,714	9,150
1. Total Federal share (in thousands)....(17-23)	5,810	6,536	6,863
C. Specific Social Service Costs - Included in A above (in thousands)....(24-30)	49,669	53,286	55,950
1. Cost of purchased adult services....(31-37)	1,430	1,543	1,620
2. Cost of purchased AFDC services....(38-44)	2,573	2,817	2,958
3. Cost of non-WIN child care....(45-51)	45,666	48,926	51,372

* Preliminary, final figures not yet available.

APPENDIX VII

THE EFFECTS OF H.R. 1 ON TOTAL ADULT CASELOAD

Cases Added—FY 1972-73

Item	OAS	AB			ATD		
Definition of disability		Gen.	FG	U	Gen.	FG	U
Duration	....	....	....	....	29,000	10,700	....
Employability	....	....	....	....	6,600	....	....
Alcoholics	....	....	....	....	2,700	600	800
Age limits	....		1,200		....	20,900	
Property restrictions	....	Not estimated					
Total, other than property	....		1,200			71,300	
Total, other than property, not from AFDC	....		....			38,300	

APPENDIX VIII

CALENDAR 1971 ESTIMATED EXPENDITURES AND CASELOAD

Actual figures + projection by SDSW for Adults

	Total	Federal	State	County
Total	$761,824,800	$379,882,700	$325,988,200	$55,953,900
OAS	424,492,000	212,008,300	182,128,300	30,355,400
AB	25,955,100	12,964,000	9,743,300	3,247,800
ATD	311,377,700	154,910,400	134,116,600	22,350,700

APPENDIX IX

44-209 MINIMUM NEEDS OF RECIPIENTS IN NONMEDICAL BOARD AND CARE AND INTERMEDIATE CARE FACILITIES (Continued) 44-209

AB
ATD
OAS

.44 Controls

Controls must be established and maintained which will assure that timely review and reevaluation of the individual's needed level of care is made as provided in Section 30-260.

.5 Determination of Need – Recipient in Group I or Group II Nonmedical Board and Care Facility

Need of the recipient who is classified for Group I or Group II care is determined as set forth below in relation to the level of care he requires and receives. Special needs are not allowed.

Need Items	Group I Minimum to Moderate Care and Supervision	Group II Extensive care and Supervision
A. Board, room, personal care and supervision.		
Allow charge for care* not to exceed	$168.00 ($5.50 per day)	$193.00 ($6.35 per day)
Components of maxima 1) Shelter and utilities 2) Food 3) Personal care and supervision, including minimum basic services normally required for licensing.		
B. Personal and Incidental Needs** (Personal expenses, transportation, recreation, etc.)	$ 38.00 ($1.25 per day)	$ 24.00 (80¢ per day)
C. Clothing, dry cleaning, extra laundry, shoe repair and other similar needs not normally provided by the facility.	$ 15.00 (50¢ per day)	$ 15.00 (50¢ per day)
D. Totals – Based on maxima for board, care and supervision.	$221.00 ($7.25 per day)	$232.00 ($7.65 per day)

* If the charge per month exceeds the specified ceiling, see Section 44-111.422 c.

** If these needs are provided in whole or in part by the facility for an additional service charge, the recipient may need to use all or a portion of this allowance to pay the facility for these services.

.51 Recipient Moves After the First Day of the Month

If, after the first day of a month, a recipient moves from an independent living arrangement to a nonmedical board and care arrangement or from one level of nonmedical board and care to another or vice versa, need must be determined in accord with the appropriate standard for the number of days he is in each living arrangement. These amounts are then combined to determine his total need for the month.

APPENDIX X

44-207 MINIMUM NEEDS OF RECIPIENT IN INDEPENDENT LIVING ARRANGEMENT – OWN HOME (Continued) 44-207

AB ATD OAS

.1 NEEDS CHART – RECIPIENT LIVING IN HIS OWN HOME

.11 Recipient Lives Alone

Item	Allowance by program		
	AB	ATD	OAS
Minimum needs common to every adult aid recipeint	$ 92.00	$ 92.00	$ 92.00
Minimum needs related to age, blindness or disability	37.00	17.00	23.00
Cost-of-living increase	6.00	5.00	5.00
Minimum housing need	30.00	--	21.00
TOTAL	$165.00	$114.00	$141.00
Housing allowance beyond minimum (Allowed if paid by recipient)	$0 - 33.00	$0 - 63.00	$0 - 42.00
Minimum and maximum 1/ need amounts	$165.00 198.00	$114.00 177.00	$141.00 183.00

1/ For exceptions, see Section .21, below.

The CHAIRMAN. Next we will hear from Mr. Tom Banaszynski, president, National Federation of Student Social Workers; accompanied by Hector Sanchez, coordinator of education.

STATEMENT OF THOMAS J. BANASZYNSKI, PRESIDENT, NATIONAL FEDERATION OF STUDENT SOCIAL WORKERS, ACCOMPANIED BY HECTOR SANCHEZ, COORDINATOR OF EDUCATION, NFSSW

Mr. BANASZYNSKI. Thank you, Mr. Chairman. I am Tom Banaszynski, and I represent the National Federation of Student Social Workers; and accompanying me is Mr. Hector Sanchez, our coordinator of education.

We would like to address you today concerning a few aspects of H.R. 1 as presented by the administration and as amended since that time.

To begin with, it has been very distressing that we continually look at welfare and work incentive programs as a cost rather than looking at it as an investment, where the money now spent is going to return to the Federal Government in taxes, in work production, in the money that these people spent will serve to create further jobs for other individuals, where the money that is spent on children is in the long run going to save us money.

Where Mr. Robert Hurley a few years ago in a study on poverty and mental retardation noted, how much its costs to institutionalize a child and an adult, when you are spending $2,000 and $3,000 a month, to institutionalize these people, which is an outright cost, plus the lost productivity which we would lose from these various people. We would urge you to look at welfare and work incentive programs in this area as a production-producing mechanism rather than solely as a cost.

As now outlined, the program which has been presented by the Nixon administration and passed by the House, has a closed-end ceiling for a minimum standard, a standard which, as we all know, is very far below the minimum standard of poverty as computed by various governmental agencies. We would urge that you reconsider this closed-end appropriation as now outlined, and consider a program similar to that presented by Senator Ribicoff, where the minimum level would begin at a higher standard and increase to reach the standard of living, standard of poverty, as has been presented by these various governmental agencies.

Further, as we consider a work incentive program, we continually don't take into account the desire of people to be self-sufficient, as Senator Long would like us to take into account, that out of the many millions of people who are on welfare, there are only some 125,000 males who are unemployed and who are not seeking work who would be employable. But even more important, if we are going to require work, let's have enough jobs available. The private sector has never been able to accommodate the people. We have people with master's degrees, people with doctorates, out of jobs, much more qualified than the people who would be becoming available under the welfare program.

By increasing the welfare rolls, the people who would be eligible for work so significantly under the program as now outlined, our unemployment rolls would jump significantly unless the Federal Gov-

ernment will take a lead. We believe they are going to have to take a lead in public-service jobs and much more so than merely subsidizing industry, an industry which is not oriented in that direction, to creating sufficient jobs for these people. And in the jobs that it does create, we urge that you look at the amendment as presented by Senator Ribicoff for a guaranteed minimum income of $1.60, increasing as this minimum would increase over the coming years.

These public-service jobs again are not solely a cost because, again, all the money that would be paid out to these people is again being reinvested and is creating additional jobs for future people, for other individuals who will be again paying taxes.

Another point that I would like to address as we look at work incentive is the whole problem of child care, and we urge that the Secretary of HEW be charged with the responsibility to establish some minimum standards for these child-care institutions, either if the mother is going to be forced to work if she is able to do it, on her own incentive.

In a recent study that HEW published concerning myths and facts about welfare, so many of the mothers were looking for work that some 40 percent would accept work if only there were sufficient child-care agencies to handle their children so that they would not be forced to assume that responsibility all day. And already there are over 20 percent of the welfare mothers who are either working full time or in training for the same.

As we again look at welfare incentives, I would like to call your attention to the concept of disregarded income, wherein as now presented, some $720 of annual income, plus a third of the remainder, would be disregarded in the various welfare grants, the various assistances, which would be given; and let us look at the hidden costs of welfare of the child-care costs which will, in part, have to come out of this money, of the taxes and social security which will be lost, at least for a time. They may get them back in the first part of the coming year, but the level at which they are working is barely subsistent now and the level of the grants is a bare subsistence, very much below an adequate level.

Further, consider the additional costs of just travel to a place of employment, the costs incurred in dressing to work at a place of employment, which are not reimbursable, as now outlined.

Rather, I would like to see us look at a concept of net income for a work incentive program, rather than the gross income as now outlined with these expenses which would be either reimbursable or would be further disregarded in looking at income.

I guess in final statement, I would like to reflect back on the concept of looking at changes and the reform in welfare as an investment in the future that we are going to have to spend money now, either work incentive programs—but I say work incentive programs where it is an incentive, not a forced situation for these people—or in putting money out for assistance to youth and children so they will not be a burden to us in future years. Thank you.

The CHAIRMAN. Thank you, sir. I am pleased to hear your view.

Might I just ask you to read a little bit of the other side of the story and let me have your comments after you have studied it. You can't read this in just a minute.

This was a statement that was made before our committee. I would like for you to particularly look at the subject discussed in this paper, on the problem of the absent father and the nonworking mother, and let me have your reaction to that.

(Mr. Banaszynski subsequently submitted the following comments:)

To: Senator Long:

The problem of the absent father is to a significant degree, that of our failure as a government to provide adequate incentives and employment for the male before he is faced with overwhelming family obligations.

Further, state requirements which limit, severely, the amount of assistance available when a man is in the house.

THOMAS J. BANASYNSKI, NFSSW.

The CHAIRMAN. Basically, to me and to a lot of others, the problem is trying to get people to help themselves and trying to help them do what you think they ought to do, trying to get people who never worked to take some kind of job for their own improvement and for the benefit of their family.

Mr. BANASZYNSKI. I think, too, the problem is, we have to have those jobs available. The work incentive programs, WIN programs.

The CHAIRMAN. That does not give me too much problem.

Mr. BANASZYNSKI. That has been oversubscribed for a long time.

The CHAIRMAN. That does not give me too much of a problem. I am perfectly content to vote for a large amount of Federal money to pay 100 percent of creating jobs, even if those are jobs that are marginal and jobs that we could do without. Let's just pay them to do something, rather than pay them to do nothing.

The problem that concerns quite a few of us is what is going to happen to us when we make it more appealing for people to be on welfare than to go to work.

Now, some people have never known what it is to acquire the discipline of showing up every morning and putting in 8 hours of work a day. At some point they have to acquire that discipline, show up for work, do a day's work and get accustomed to it.

Mr. SANCHEZ. Mr. Chairman, could I just make a statement in regard to that?

I am from Houston, Tex., and when I came home from Vietnam just about a year and a half ago, I couldn't get a job. I had a bachelor's degree and my mother, who is now 58 years old, didn't have a job. All my realtives are very poor—under $3,000. We are Mexican-Americans and I spent with my mother about 5 months looking for a janitor's job in Houston. After 5 months, and we went to about between 45 and 50 different offices, trying to get a $1.10-an-hour job; we finally found it. Here it wasn't a question of whether my family, including myself, wanted to work—we wanted to work. We certainly did, but the jobs just were not there in Houston. And it is the same case, I think, with a lot of my people, the Chicanos in the Southwest where we have a heavy labor market, especially with illegal aliens coming in from Mexico and the jobs just are not there.

The CHAIRMAN. Well, I voted for a measure to provide 500,000 public service jobs, the Federal Government paying the entire cost of it. The President vetoed it but I favored it. I would be glad to vote for it again and vote to provide day care. I would hope we could give working mothers and people who are members of families on welfare, because they need it, a preference at those jobs that could be made

available in day care centers. Give them a preference for the jobs that don't require a good education or a lot of skill; earmark those for working mothers.

This is not the real problem to some of us. I think the problem so far as the majority of us on this committee and so far as the majority of us in the Senate are concerned, is that we want to see people do what they can to help themselves and we are quite willing to tax the people of this country to do what is necessary to see that the jobs are there.

But, having made jobs available to people, we think they should take them rather than calling upon the taxpapers to support them entirely.

You talked about some of your people working and making only $3,000 a year. Well, I would be willing to vote to help those who have large families if that is all they are making. I would certainly rather help them that way than I would to help them when they turn down jobs making $3,000 a year and expect us to pay the entire thing.

What is your reaction to that?

Mr. SANCHEZ. Well, personally, I have never met any of my chicano people who would turn down a job. Do you realize how many migrant people there are? They go up to Michigan and Illinois to pick the crops. You know we consider ourselves fortunate if we migrate from south Texas, for instance, with a few dollars in our pockets and when school begins in October or November and come back with $40; we would rather do that than go on welfare. But, again, because you know there are no jobs in the Southwest we are forced to go to Washington, to the Midwest, to pick the crops.

As I say, I myself am 31 years old and I have not run across anybody who would refuse a job if the job were there, even at $1.10 an hour.

The CHAIRMAN. Thank you. Thank you very much.

(Mr. Banaszynski's prepared statement follows:)

STATEMENT OF THOMAS J. BANASZYNSKI, PRESIDENT, ON BEHALF OF NATIONAL FEDERATION OF STUDENT SOCIAL WORKERS

Gentlemen, we address you today as representatives of the National Federation of Student Social Workers. We are concerned with improving the standards of our profession to aid individuals to cope with fundamental human needs, and to take necessary steps to insure that end. Thus, we today concern ourselves with Mr. Nixon's attempt to reach out to the poor and indigent through his Familly Assistance Plan and Opportunities for Families. The poor are without even the minimal level of income and security to promote social and physical well-being; yet these poor have struggled to attain this status of well-being. In 1966, some 70% of the heads of poor families worked, ⅓ of them full time; yet they were earning less than even $1.60 per hour. Today the desire to support their families through their own initiative has not changed.

The work Incentive Programs have been over subscribed. Mothers want to work, and do, or would, provided there were adequate means to meet their needs at home. (A recent survey published by *Society* magazine, February, 1972, notes that 80% of unemployed males want work, with most of them in training programs; while more than 20% of female family heads are working, with another 35–40% desirous of the same provided adequate training and child-caring facilities were available.) Further it must be noted that the concept of the poor as being cheats is inconsistent with the available data: In 1970, HEW published its statement on fraud in Public Assistance, noting that "in 1969, about 0.3% (3 cases in 1,000) of *all* individuals and families in Aid to Blind, Disabled, and Dependent Children programs were considered by state agencies to be suspected of fraud." (U.S. Department of Health, Education, and Welfare, "New methods of dealing with questions of recipient fraud in Public Assistance," 1970.)

The poverty of these people strikes hardest at their children, whose potential to escape poverty and to produce in the economy is stunted before they have a chance to recognize the alternatives. Poor diet and nutrition and care in the early years carries with it a lasting effect. It is one which will continue to burden the nation and its economy. The Administration's Family Assistance Plan begins to cope with some of these problems. Yet this program is but one of bare subsistence, much below even the current poverty standard ($3,720) for minimal productive living. While the proposed Assistance for the Aged, Blind, and Disabled takes steps to cope with the pervasive increases in the cost of living, FAP and OFF make no such provisions, nor do they offer provisions to cover single individuals or childless couples. We would offer that this is discriminatory toward persons whose disabilities are not overt, but whose suffering is equally as far reaching. Should these persons and their children who are unable to move into the work force, be subjected to further indignation and pain? Thus we urge you to look seriously toward implementing the amendments introduced by Senator Ribicoff which would raise the initial federal payment level to $3,000 for a family of four, with the goal of reaching the recognized level of poverty. While the figure of $3,000 may be unrealistic at this time, the essential component is that a timetable be established which would provide that within five years, all persons in this nation be able to live in a state of income security and social well-being.

The cost of any of these programs will be great, yet the federal government is the only agent capable of sustaining such a program. The concept of using Work Incentives to provide for producers in our economy rather than consumers can alleviate these costs. But the method of forcing a man to accept a job, solely because it is available and meets minimum standards, eliminates a person's basic freedom of choice, other than the one of working or facing loss of assistance. This end does little to respect the desire for self-sufficiency among people. Above we noted the numbers of able adults seeking, or desirous of seeking employment. Given the opportunity, persons will accept and produce in the working world. A recent study in New Jersey on a Graduated Work Incentive Experiment notes that the data suggest that:

"There is no evidence that work effort declined among those receiving income support payments. On the contrary, there is an indication that the work efforts of participants receiving payments increased relative to the work effort of those not receiving payments." (Office of Economic Opportunity, February, 1970).

Thus in light such findings, and through our own experiences in coping with the employment problems of indigent clients, we urge this Congress of the United States to design a Work Incentive Program which provides adequate stimuli and resources for sustained employment, but which respects the basic desire of persons to be self-sufficient.

Still, whatever course this Congress should follow, it is imperative that employment be available at or above the "guaranteed" minimum of $1.60 per hour. Senator Ribicoff has introduced an amendment to the Social Security Amendments of 1971 which would secure this minimum wage for employees. We concur with Mr. Ribicoff in this position.

Consider also, if you will, what is hidden in disregarded income, which may seem small in comparison to total income, but which can seriously jeopardize the improved living standard at which the Opportunity for Families is aiming: the taxes and insurance, deducted and lost, at least for a time, from one's income; the work related expenses, such as travel and clothing and food; the non-reimbursable costs for child care. Therefore, it is our intent to urge you to adopt an income disregard program based on net income rather than gross income.

While the U.S. economic system has long been inured to the value of private employment, it has not been capable of absorbing a multitude of persons seeking employment. With a forced work program, the current unemployment level of approximately 6% will necessarily grow significantly, unless the federal government is capable of taking a dramatic lead in employing indigent persons. The current project goal of 200,000 Public Service jobs will scarcely dent the more than 1.2 million persons eligible for work under the Opportunities for Families Program. While Senator Ribicoff's amendment to create 300,000 jobs in Public Service is an improvement, even this number is fraught with limitations. These figures are especially limiting when the goal is to make these positions temporary in order to feed these persons into a labor market which cannot today cope with the available manpower resources. The tact of basing full employment for all persons desiring it in the private sphere has not proven possible even in our most

burgeoning economic years; such that there is little supportive evidence that this reality will change in the next few years.

Yet many positions can and must be made available to indigent personnel within the domain of the current proposal, notably as para-professionals within child care and in the administration of the Family Assistance Plan and the Opportunities for Families. But this will be only a beginning.

And as we note child care, let us call attention to the lack of minimum standards for Child Caring Institutions within the current proposal. As women with children will be expected to accept job training and employment, it is essential that the Secretary of Health, Education, and Welfare build minimum standards into any proposed Child Care project.

The move from a service program of assistance to one which guarantees a minimum cash base is a positive step to alleviating poverty. Yet, as now outlined, this proposal of the Nixon administration is also fraught with discrepancies and discriminations which will continue to retard the move of individuals from a life of poverty to one of production and well-being. Thank you for your attention.

The CHAIRMAN. The next witness will be Francis Moss, consultant, of the Santa Cruz Child Care and Pre-School Programs Commission.

If the witness is not present, then that will conclude this morning's session.

We will stand in recess until 10 a.m. tomorrow.

(Whereupon, at 11:50 a.m., the hearing was adjourned, to reconvene at 10 a.m., Tuesday, February 1, 1972.)

SOCIAL SECURITY AMENDMENTS OF 1971

TUESDAY, FEBRUARY 1, 1972

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

The committee met, pursuant to recess, at 10:05 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Anderson, Talmadge, Ribicoff, Byrd, Jr., of Virginia, Nelson, Bennett, Curtis, Miller, Jordan of Idaho, Fannin, Hansen.

Also present: Senator Goldwater.

The CHAIRMAN. I am going to call the committee to order. Other Senators will be coming in from the Presidential prayer breakfast and elsewhere as we go along. We are going to have some very interesting witnesses today and I am sure that the Senators would like to ask a number of questions and comments on the statements of the witnesses, in particular, the first witness, the Honorable Ronald Reagan, the Governor of California, who has made a very interesting contribution to this whole program and has made great efforts to try and overcome what he and the people of California have found wrong with the program.

Governor Reagan, we are particularly happy to have you here today because of the efforts you have made to develop a work program rather than to continue to build upon a program that encourages people to quit work in order to obtain more and more tax-paid handouts from the Government. So we very much welcome you here today and the Senators, I am sure, will follow with interest what you have to say. We would like to explore with you some of your thoughts in this area.

STATEMENT OF HON. RONALD REAGAN, GOVERNOR OF THE STATE OF CALIFORNIA, ACCOMPANIED BY ROBERT CARIESON, DIRECTOR OF SOCIAL WELFARE

Governor REAGAN. Thank you, Mr. Chairman and members of the committee. I appreciate the opportunity to testify here today, particularly since I have never before had this privilege and honor and also because I consider the welfare problem the gravest domestic issue our Nation faces.

Two years ago welfare was out of control nationally and California was no exception. At that time, H.R. 16311 and later H.R. 1 were presented as a solution to the problem. One of its authors responded

publicly to critical question by answering that "It's better than sitting on our hands and doing nothing."

I share the President's desire to reform welfare and certainly share his belief that there should be a restoration of the work ethic. However, as you are aware, I have had some very serious reservations about several of the approaches to welfare reform embodied in H.R. 1.

In August 1970, I presented to this committee a statement regarding the version of H.R. 16311 which was pending before your committee. Many of the provisions of that bill to which I objected in my statement are in H.R. 1.

My remarks today will concentrate on six areas of major concern I have with H.R. 1 and with the need for Federal action in achieving real welfare reform.

I believe that: (1) States are better equipped than the Federal Government to administer effective welfare reforms if they are given broad authority to utilize administrative and policy discretion.

(2) A system of a guaranteed income, whatever it may be called, would not be an effecitve reform of welfare but would tend to create an even greater human problem.

(3) A limit should be set on the gross income a family can receive and still remain eligible for welfare benefits.

(4) For all those who are employable, a requirement be adopted that work in the community be performed as a condition of eligibility for welfare benefits without additional compensation.

(5) The greatest single problem in welfare today is the breakdown of family responsibility. Strong provision should be made to insure maximum support from responsible absent parties.

(6) A simplified system of pensions should be established for the needy aged, blind and the totally and permanently disabled.

In August of 1970 the size and cost of welfare had grown into a monster which was devouring many of California's programs and was failing to meet the needs of those who, through no fault of their own, have nowhere else to turn but to government for subsistence. We didn't just become aware of this problem in 1970 but our earlier efforts to deal with it weren't too successful, perhaps because we relied on professional welfare experts to propose solutions and all too often they were more familiar with what they were sure they could not do, rather than perhaps with what they could do.

The situation became worse instead of better. Finally, to avert a fiscal and human disaster, I asked several members of my administration, who had proven themselves in other State administrative posts, to form a task force and to devote full time for as long as it took to see if and how real reform of welfare could be developed and implemented. They expanded their task force to include experienced attorneys and other management and fiscal experts from the private sector. These men and women served on a volunteer basis for 4 months reviewing Federal laws, State laws, and Federal and State regulations. They interviewed over 700 people involved in administering welfare in California at all levels and developed proposals and ideas for a realistic and humane reform of welfare.

In early March of 1971, not quite a year ago, we presented the legislature with the most comprehensive proposal for welfare reform ever attempted in California and perhaps in the Nation. All in all,

there were over 70 major points involving administrative, regulatory, and legislative changes.

We had already gone ahead in January with those changes we could make administratively and we continued through the spring and summer until the legislature finally agreed to most of the statutory changes we had asked for, plus others which were negotiated with them.

It should be pointed out that we were not exactly exploring uncharted land. Our task force findings had led to the conclusion that the basic original structure of the welfare system was sound. It was based on a concept of aid to the needy aged, the blind, and disabled, and to children deprived of parental support. Able-bodied adults were expected to support themselves, their children, and their aged parents to the extent of their capabilities. The system was meant to be administered by the States and counties with the Federal Government sharing the cost.

But we had also learned that, almost from the start, this basic structure had been undermined, sometimes by Federal or State law but more often by regulations, State and Federal. Regulations drawn up by the Federal agency administering welfare reflected the philosophy of the permanent employees rather than an interpretation of the law. Thus the original legislative intent was often distorted.

Back in January when we began, there were plenty of experts telling us that no State could reform welfare, that the statutory, regulatory, and administrative constraints were too many and too inflexible. Figures now indicate that they were very wrong.

According to HEW, national welfare and medicaid costs combined increased last year by 27 percent. In California we estimate an increase in welfare and medicaid costs of only 5.9 percent for the coming fiscal year and that does not tell the full story of what has happened and is still happening because of our reforms. We suspect we may be playing it too safe. We are generous even in allowing for a 5.9 percent increase.

For several years, up until last April, California's caseload increased more than 40,000 persons per month. This held true even when the economy was booming and we had full employment. Our projections were that by this last December we would have added another 319,000 to the rolls. Not only did this not happen, but in December we had 176,000 fewer welfare recipients than we had in March 1971. That is a net gain or improvement, I should say, of 495,000. In that 9 month period we have reduced spending Federal, State, and local—by more than $120 million below what it would have been without the reform. Though the December figure increased by a few hundred recipients, it was still 60,000 less than the increase in December of 1970 and the lowest December increase in 30 years.

Because of these savings, we have achieved one of our primary goals; we have been able to increase the grants to the truly needy. An AFDC family of four, to cite an example, receiving $221 last spring now receives $280 a month. A cost-of-living increase was granted in December to the aged, blind, and disabled. In the current fiscal year we will spend $338 million less in Federal, State, and county funds than would have been necessary without the reform. In our 1972–73 budget, beginning in July, we are asking for $708 million

less than would have been required without reform, and let me point out——

The CHAIRMAN. How much is that figure?

Governor REAGAN. $708 million.

The CHAIRMAN. You are asking for $708—did you say 700 or seven?

Governor REAGAN. $708 million less.

The CHAIRMAN. You didn't say seven or eight; you said 700 or 800.

Governor REAGAN. $708 million.

The CHAIRMAN. Some $708 million less.

Governor REAGAN. Then we would have without the reforms.

The CHAIRMAN. And that all involves reforms instituted at the State level you are telling us, as I understand it?

Governor REAGAN. That's right.

Senator CURTIS. Mr. Chairman, may I interrupt right there?

There would be a corresponding saving to the Federal Government?

Governor REAGAN. Well, 50 percent of that or $354 million of that is Federal money that is being saved; we can't save a dollar without saving you one, too, and we don't mind doing that.

But let me stress once again, the important thing in doing this is that we didn't find any new, magic formula; we simply overhauled the present structuraly sound welfare system. We insured adequate aid to the aged, the blind, the disabled, and children who are deprived of parental support and reduced aid to the nonneedy with realistic work incentives so that funds could be redirected to the truly needy. We define the truly needy as those people who have no other sources of support except their welfare grant.

Our program requires employable recipients to accept work if offered and that if jobs are not available to work in the community in order to remain eligible. Absent fathers are now legally indebted to the county for benefits paid to their families with a provision for wage attachments and property liens, if necessary. Fiscal incentives are provided to help counties trace absent fathers.

But maybe most important is the fact that the California plan retains most of the administration and responsibility for an effective and efficient welfare program at the level closest to those who benefit and closest to those who have to pay the bill.

The members of our task force found that with provision for reasonable administrative discretion, combined with fiscal responsibility and discipline, the most effective administrative efforts in California were those carried on in the medium and smaller sized counties. We retained the concept of State supervision and county administration of welfare on a partnership basis.

In spite of our reforms, many of the greatest loopholes which still permit abuse, inhibit effective State action and which have led to a loss of public confidence, remain in Federal law and Federal regulation, mainly regulations. We see a fiscal and administrative disaster if the administration of the welfare system is centralized here in Washington as proposed in H.R. 1. As you have already heard, HEW claims that H.R. 1 would save California $234 million; actually, it would increase our costs by nearly $100 million.

We are presently being challenged in court on nine of our 84 changes on the grounds that we are in violation of Federal law. Regardless of

the outcome, we believe we are not in violation of congressional intent before it was reinterpreted in regulations.

To get back to the matter of H.R. 1, I respectfully urge this committee to eliminate the proposal to provide welfare benefits to intact families with employed fathers. I am not unaware of nor insensitive to the plight of the low earner, but I believe relief to those families can be provided in the form of social security and income tax exemptions.

It doesn't seem right to reduce a man's take-home pay with taxes and then send him a government dole which robs him of the feeling of accomplishment and dignity which comes from providing for his family by his own efforts.

By the same token, we feel that the able-bodied recipient should be given the maximum opportunity to support his family by doing work in his community which will benefit the community. At the same time it develops and maintains his ability to perform effectively in a regular job when it becomes available. We don't suggest this in any punitive way nor are we advocating useless makework chores. Not only will the individual benefit from particpating in useful work but those who foot the bill will also be more apt to approve if they see community services being performed.

If I could anticipate a possible question concerning the usefulness of such a community work force, let me just mention one of the many possibilities. The Los Angeles school system reported last week that vandalism was costing that one city alone $50 million a year, that is, school vandalism. Night watchmen might change that.

I was pleased to see that the Talmadge amendment to the tax bill was adopted by Congress and signed into law by the President. Most of the features of the Talmadge amendment parallel very closely the "separation of employables" portion of our California welfare reform program; however, many of the so-called work incentives in the present system, and in H.R. 1, as passed by the House of Representatives, continue to insure aid to the nonneedy, and able-bodied adults are not required to work in the community.

We recommend that a realistic and absolute ceiling be placed on the income that a family may have and still be eligible for welfare. The experts tell us, on one hand, and I believe them, that all but a few welfare recipients would prefer to work if work or jobs were available. Yet, on the other hand, they tell us that we cannot expect someone to be willing to take a job or go to work if his welfare grant is significantly diminished.

These expert opinions obvously are in conflict. I propose a combination of work incentives including a mandatory work requirement and, in the case of a mother-headed family, reasonable child care expenses and a portion of her income could be exempted until she had stabilized her work situation. However, an absolute ceiling on the gross income a family may receive and still be eligible for welfare, we believe, should be set at 150 percent of the standard of need. The proposed limitation of work-related expenses contained in H.R. 1 should be retained.

We believe that the present grant-sharing ratio between the State and the Federal Government should be retained; however, since eligibility of 85 percent of the caseload is due to an absent father, real

fiscal relief can be provided the States by helping them solve this problem. We propose that the Federal Government adopt a plan similar to California's which would finance the effort to locate absent fathers and enforce compliance with the child-support laws. The best source of funds would be to permit the States or counties to retain 100 percent of the Federal share of grants recovered through collections from absent fathers and through efforts of fraud-control units.

I support the concept of a simplified system of pensions for the needy aged, blind, and totally and permanently disabled. Sums of money spent on costly and complicated eligibility and grant determination systems for these categories would be better spent in increasing benefits to these people, many of whom have provided adequately for themselves during their productive and working days, but who have found that inflation has wiped out the fruits of their past accomplishments.

The effectiveness of the States and counties administration of welfare has come under heavy criticism and attack. Perhaps in a number of instances this may be justified. However, it is almost impossible to hold a State accountable for effective administrative practices and policies under the present straitjacket of Federal statutes, court interpretations, regulations, and abuses of administrative discretion. Give the States the broadest authority to administer the system with proper goals and objectives and then hold us accountable for our effectiveness in meeting these goals and objectives.

Senator Curtis' approach in S. 2037 to severely constrain the power of Federal administrators and return authority to the States is definitely going in the right direction.

I am submitting at this time to you a more detailed listing of amendments that we would offer to H.R. 1 and urge your favorable consideration of them. They are the product of our experience with an actual reform program that is succeeding in California; they are not based on theory.

I believe that we have demonstrated in Califorina that a responsible approach to reform of the present welfare system is possible and that given the tools, discretion, and adequate financial assistance, States and counties are in the best position to provide a welfare system patterned to meet the real needs of those in America who, through no fault of their own, have nowhere else to turn but to government.

What California has done, other States can do.

Welfare needs a purpose: To provide for the needy, of course, but, more than that, to salvage these, our fellow citizens, to make them self-sustaining and as quickly as possible, independent of welfare. There has been something terribly wrong with a program that grows ever larger even when prosperity for everyone else is increasing.

We should measure welfare's success by how many people leave welfare, not by how many more are added.

Thank you.

The CHAIRMAN. Governor, thank you very much for a truly magnificent statement. At this point, Governor, in my judgment, you have made the most encouraging and most logical as well as the most eloquent statement of any of the government witnesses. I think the best statement made by one of the public witnesses came from Mr. Roger

Freeman who has been studing this problem out in Palo Alto, Calif. I imagine you probably know him because of his view about the desirability——

Governor REAGAN. I do.

The CHAIRMAN (continuing). Of working and the fact it improves people's whole outlook toward life. His thoughts are pretty well spelled out in his statement.

I read everything he had in his prepared statement and I am going to do the same thing with yours.

I really congratulate you on what you have been doing out there, trying to put people to work rather than just loading these rolls down with people who prefer to leave their children and put the burden of supporting those children on the backs of other workers.

Do you find that the people of California seem to approve that approach, Governor, that is, the general public?

Governor REAGAN. Oh, very much so. As a matter of fact, some metropolitan newspapers out there took polls when we were instituting our welfare reforms, particularly on the matter of our proposal for a community work force, and, surprisingly, I don't think any other polls have ever matched these; they crossed all party lines and they came out with 90 percent of the citizens approving people working in return for their welfare grant.

The CHAIRMAN. You tell me that your estimate is that you have managed to save the taxpayers, Federal and State, about $700 million a year by trying to get people to work, and that is in spite of these regulations that HEW can put on you trying to force you to load these rolls down with people that your State does not think ought to be there; is that correct?

Governor REAGAN. Yes. As a matter of fact, our welfare reform is not complete. We haven't been able to implement these things that are being tested in court and we still are trying to work out permission for a demonstration project on a community work force. That has not been started yet and we believe the savings will be even greater if we could have the rest.

The CHAIRMAN. As you know, you explained to this committee in an informal meeting with other Governors what you were trying to do to put people to work for their own improvement as well as for the good of the State and of the Nation; and everybody in the room at that time agreed that we ought to ask that you be given that power to go ahead and do that, with cooperation by the Department of HEW.

Have they given you this cooperation?

Governor REAGAN. Well, as I say, we are still—that was a year ago. I remember in our meeting a year ago January—we are still negotiating on that and we have submitted a request now that has been reduced from what we originally would have liked to have tried, but it will be in clusters of counties to be typical of our State, urban counties, rural counties, counties up in the mountains and cattle country and so forth. We are asking for that. It would make eligible about 58,000 heads of families to take those jobs if we could get this permission.

The CHAIRMAN. What you are trying to do is to implement the workfare approach?

Governor REAGAN. Yes.

The CHAIRMAN. Yes; and you testified here that there are nine points in which HEW is threatening to rule you out of compliance and cut off half the money available to you if you put those nine features into effect. Are some of those nine features important and significant?

Governor REAGAN. Yes, very much so.

The CHAIRMAN. Would you name one of them that is significant, important to you if you are going to put people to work?

Governor REAGAN. Well, now, let me ask for some help here. These are the court cases, so this is not HEW that is doing this; but the charge in these cases that has brought them into court is that we are out of conformity with the Federal law. This is why we cannot do it. We believe—we don't believe we are and we simply believe that this could be rectified in, say, the coming bill; this would make these court cases unnecessary.

Now, there has been no ruling; we have not lost these cases as yet but in the meantime there are stop orders preventing us from implementing the orders until the courts can decide.

The CHAIRMAN. If we can, Governor, we will amend all our laws on which our poverty lawyer friends are relying to try to keep us from putting people to work. That will make them file their court cases all over again. At least, we can do that much.

Governor REAGAN. Well you are right about one thing: all of the cases have been brought by OEO-funded lawyers.

The CHAIRMAN. Plus that, Governor, if I have any influence, we will amend this bill to say that none of these lawyers who are paid either directly or indirectly by the Government, can file any lawsuit against a State to make a State do things that the States feel they should not do, or to prevent the State from doing things they think they should do. We will require them to get the approval of the Secretary of Health, Education, and Welfare or the Attorney General and that he notify us before we give them that approval to use Federal money to go out and sue the States or sue the Federal Government.

Do you know in some cases we have had these poverty lawyers actually suing us? Can you imagine anything as idiotic as hiring a lawyer to sue yourself? [Laughter.]

Well, now, how do you feel about this one: Here is a court of appeals in Maryland. They have ruled that you can't take people off the welfare rolls because the father is out on strike or because he is fired for cause.

How would that help your program?

Governor REAGAN. Well, this is one of the provisions that we think has to be determined and I think this is in our recommended amendments here, that naturally, men who are on strike or people who are on strike should not become eligible for welfare; and yet this has become very important strike strategy, part of strike strategy.

The CHAIRMAN. If this is in the law, if this decision is to stand and as of now this is the law, doesn't that make H.R. 1, potentially a $4 billion investment in prolonging strikes?

Governor REAGAN. Yes; there is no question about it.

The CHAIRMAN. Because in the last analysis strikes tend to last until one side or the other finds that it is time to go back to work and

open the plant up. So that $4 billion investment in H.R. 1 could very well be sued as a $4 billion strike subsidy fund.

Now, we are told by HEW that fraud exists in just 1 percent of cases. Is that the problem, as you understand it?

Governor REAGAN. No, sir. As a matter of fact, we believe that the HEW 1-percent figure is based on convictions for fraud but that doesn't take into account the fraud that takes place and is just never caught, never tried, never challenged.

We in one area of California, when we were instituting our reforms or drawing up our reform plan, our task force found in an area that had about 40 percent of the total workload, our estimate of fraud from working with the county welfare professionals in that field, was around 16 percent in just that one area.

Now, we know in the neighboring State of Nevada the Governor of Nevada, where in that smaller State they were able to make an actual house-to-house check of welfare recipients, they came up with better than 20-percent fraud.

The CHAIRMAN. Well, they found 15 percent were getting more than you thought they should be getting, I think, about 22 percent were ineligible totally but over 15 percent were being overpaid, as I understand it?

Governor REAGAN. Yes.

The CHAIRMAN. After HEW and the National Welfare Rights Organization got through making their celebrated calls and holding hearings and so forth, it is now my understanding that the Governor of Nevada has given them hearings and all but 6 percent of the people he took off the rolls are back on the roll, didn't belong there?

Governor REAGAN. That's right.

The CHAIRMAN. So that would indicate if you are talking about somebody you have convicted and put in jail, that is an entirely different matter; isn't it?

Governor REAGAN. That's right, Mr. Chairman, and beyond the actual fraud, the outright fraud, there is what I call the legal fraud, people who are technically, legally eligible for welfare under the generous interpretation of the regulations, depending on the area in which they are getting it and yet people in California that we found earning as much as $1,000 a month and continuing to get virtually their full welfare grant.

The CHAIRMAN. Seventy percent of these families have a father somewhere who presumably is capable of working or is in fact working, who could be making a contribution; are you aware of that?

Governor REAGAN. Yes, sir. In Los Angeles County, after we instituted this welfare reform, on one particular weekend locally they staged a roundup and an arrest of about 55 working fathers—some of them were professional men who were not contributing to the support of their children—who were getting welfare. And the surprising thing was that in the next few weeks after that much publicized roundup, something like 700 came in voluntarily and decided not to wait for the knock on the door. But we estimate in California 85 percent.

The CHAIRMAN. Thank you very much, Governor. I would like to interrogate you further, but I know other Senators are anxious to ask you questions.

Senator ANDERSON. I think it is a very fine statement the Governor made.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. Governor, we are delighted you are here. I am sorry I was a bit late. I went to the prayer breakfast and I was delighted to see so many people were out at the meeting but it was difficult to get away from the hotel and I was late.

You have given us a splendid statement and I know the thoroughness with which your administration has approached this problem and I want to say if your staff will place in my hands the suggested amendments to H.R. 1, at some convenient time—it doesn't have to be done this moment——

Governor REAGAN. Those are in our presentations, Senator.

Senator CURTIS. They are here?

Governor REAGAN. Yes.

Senator CURTIS. We will see they are offered and printed and presented to the committee, printed as amendments, not just in the hearings, so they will be at hand when we consider the bill.

Welfare or relief, by its very nature, is taking care of the needy and preventing human suffering; isn't that correct?

Governor REAGAN. Yes, sir.

Senator CURTIS. Do you feel that to do the right job for the really needy there should be an involvement of both States and localities in this task?

Governor REAGAN. Very much so, with administration at the county level. We, ourselves, in our reforms in California rejected even the idea that the State should take over from the counties and administer it.

Senator CURTIS. Well, it is refreshing to see a Governor of the largest State here making these recommendations and not just coming in and asking Uncle Sam "to relieve us of this whole burden entirely; just take it out of our budget and put it in your own," because not only does that create some problems budgetwise for the Federal Government but also it will lead, in my opinion, to an expensive, cumbersome, inflexible system that will be lacking in human kindness and neighborliness of administration so far as our really needy are concerned.

I would like to ask you what experience have you in California with locating absentee fathers who abandon their families and refused to support them even though they are working and are able to contribute support; and, secondly, how do you go about making them financially responsible after you locate them?

Governor REAGAN. Well, I gave the example a moment ago of the experience in Los Angeles County. But what we have done and what we are proposing here in our amendments, the fact that the counties whom this comes under their purview, their county attorneys' offices, are the ones who have to go out and apprehend these people, find them, investigate and locate them; and this has been a costly burden and the counties just can't take on the staff to do it.

But what we have done is say to the counties in our reform that the money that has been going to their families in welfare constitutes an obligation, a debt, of this working father and when the counties

catch them the counties now can keep three quarters of the State share of the welfare money because the county has been sharing with us the expense of paying out. The result is that the counties now are able to afford this. There is an inducement; there is an incentive for them because they get money themselves and the county gets the money not only to pay for the added staff but, more than that, to recoup some of the money they have been paying out in welfare; and then you invoke the regular laws of child support and so forth when you find that the man is actually employed and just hasn't been contributing.

Senator CURTIS. And your suggestion is, to this committee, that we take some comparable action from the Federal standpoint?

Governor REAGAN. Yes, sir.

Senator CURTIS. To return the money that is recovered to that level of government which brought the action?

Governor REAGAN. Let the county keep the Federal share as well as the State and county share of the welfare grant.

Senator CURTIS. Now, we hear often, and we all know that HEW regulations have operated to make the task of the States more difficult and you have covered it quite a little, but could you just cite a specific example or two where HEW regulations have just made your task more difficult?

Governor REAGAN. Well, one, of course, the most obvious is in the 30⅓ and the work-related expenses for people who get jobs and also retain their welfare grant; and this is the one in which, as I mentioned a figure before, even $1,000 a month income can still be so reduced by formula for determining eligibility that the person winds up getting a full grant.

One of the most glaring of these we had was a woman who had a job at around $540-odd dollars a month and she got a raise in pay and succeeded in getting a raise in the welfare grant by virtue of the raise in pay, because with the raise in pay she went out and bought an automobile and the monthly payments on the automobile were recognized as transportation expenses. Since the payment on the automobile was greater than the amount of her salary increase, this further reduced her eligibility income and she thus received also a raise in the welfare grant.

Senator CURTIS. I am quite familiar with what you are talking about. These arose out of the 1967 amendments by Congress. I didn't support them and didn't vote for the bill, but they permitted certain income to be disregarded. Part of the blame rests on Congress; but I think it was by regulations misconstrued; even though I didn't vote for it, I want to say that in defense of Congress.

We provided in that law, that part of the disregard would be the expense of working and then the one-third and so on. Under expense of working I would guess that most Members of Congress had in mind expenses getting to and from work and maybe lunch and uniforms and what have you but the regulations construed it to mean all deductions from the paycheck, including Federal taxes, dues, everything. And I presented to this committee a situation where there was an ablebodied husband in the family working and his salary was almost $800 a month, but the disregards amounted enough so he stayed on welfare. And the welfare director in my State reported that the problem with the 1967 amendments was that no one ever left welfare.

Governor REAGAN. Well, this has been our concern. There are others. There are regulations that have to do with checking eligibility, protecting the sensitivity of the recipient, confidentiality regulations; these have been used to prevent us from even questioning someone, taking their word they are eligible for welfare.

This led to the experience of a reporter for a San Francisco newspaper who was sent out to simply see how he could get on welfare and he found that he could get on welfare four times in one day in the same office under four different names; just his word was taken. Confidentiality—which keeps us from actually checking and from looking at income tax returns to find out on this eligibility.

We believe that a great deal of the reduction in the number of people—this transition from 40,000 increase a month to an actual decline a month, has simply been—you can't pinpoint it and say these people were off because of this or that; we find that in a number of cases this is just the change in climate, the fact that suddenly they were aware there was a stricter interpretation. It is like New York's experience of picking up the welfare checks and finding that 20 percent of the people didn't come in for their check and you had to assume that they probably weren't eligible and they were afraid they would get caught now that they had to come in in person.

Senator CURTIS. Others want to ask questions, but I will ask just one more.

What do you think of the proposal that our distinguished colleague, Senator Percy from Illinois, has offered?

Governor REAGAN. I am trying to recall now one of the things; I am not sure. Let me ask for a little help.

Senator Percy has asked in these proposals—this is the hold-harmless clause. Well, of course, in a case like California with our declining load, hold harmless would do us very much good.

Senator CURTIS. That was the proposal that was offered on the floor some time back, and you point out that that would only benefit those jurisdictions where the caseload was going up?

Governor REAGAN. Yes.

Senator CURTIS. That is all the time I will take, Mr. Chairman.

The CHAIRMAN. Senator Talmadge?

Senator TALMADGE. Governor, I want to compliment you on your statement. I certainly concur with your view that the welfare system would be much better administered on the State and local levels than on the Federal level.

I view with much interest your suggested amendment to correct those regulations and laws that have made your burdens in welfare reform so great. I found when I was Governor of Georgia the same problem. Apparently HEW has a builtin bias that everybody ought to be on welfare and no one ought to be questioned about it in any way whatsoever.

Now, as you know, one of the grave problems in the aid to families with dependent children program occurs when the father has simply abandoned his family to let the taxpayers take over the burdens of parenthood and support.

What would you think of a law to make it a Federal crime for one to go into interstate commerce to avoid supporting his family?

Governor REAGAN. Senator, I would have to think about that because I know we already have laws about family support if we can invoke those laws against——

Senator TALMADGE. You have State laws?

Governor REAGAN. Yes.

Senator TALMADGE. We also have laws in Georgia. It is a misdemeanor in Georgia to abandon your family; but the burdens locating someone who may be in Chicago are so great and the problems involved in extraditing someone for a misdemeanor that these laws are not enforced. We have Federal laws, as you know, making it a crime to steal an automobile and go into interstate commerce with it. We have also a Federal law—the Mann Act—making it a crime ot carry a woman into interstate commerce for immoral purposes. The abandoning father problem has reached such grave proportions that one of the best remedies would be just to make it a Federal crime.

Governor REAGAN. Yes, sir; I understand.

Senator TALMADGE. In that way, I think it would make him consider such action a little more cautiously.

Governor REAGAN. Yes, I see what you mean, Senator. I only thought in terms of catching them within our own State, and you now would plug the loophole of those who leave the State and cross State lines.

Senator TALMADGE. That is a problem. I will give you an illustration I know of my own knowledge.

A good many years ago when I first came to the Senate we had a houseboy who worked for me; he lived in our home. He had a nice private room in the basement, with a private bath, radio and television. All his clothing was free, all of his shelter was free, all of his living expenses and food were free; all he needed was his walking about money.

He had been with me a month or two when I received a letter from the solicitor general of my home county informing me that he had a wife and children. They were living with their grandmother and he wasn't contributing to their support. I called him in and said, "Look here, you are in violation of the Georgia law for not supporting your family down there; let's make a deal now. Let me send half of your pay home to your family and give you the other half. Does that sound reasonable to you?"

He said, "Yes." So we reached that agreement.

But about 3 weeks later he left; he didn't want to work for an employer who wanted him to help support his family. He wanted the taxpayers to do that.

So we have got that problem multiplied by hundreds of thousands of times throughout this Nation and that, it seems to me, is one of the best solutions of how to correct it.

Chairman Long, I think, has made another good suggestion to put all these people on the social security or the income tax computers so we will have a record of all of them and be able immediately to find out who has abandoned his family, and, if he is working, where he is working and how much he is receiving and then we can take appropriate action to try to make him responsible for his children's support.

Does that sound like a good solution to you?

Governor REAGAN. Yes, Senator; because that touches on one of the hardest things. I have claimed no one in the United States knows how many people are receiving welfare. They know how many checks they are sending out, but they don't know how many checks may be going—more than one check to the same person, and anything that would lead to this, with regard to the misdemeanor and the felony thing, yes, sir, and there are other areas.

For example, if you and I steal above a certain amount of money, it is fraud and a felony. In welfare, it is a misdemeanor, and I see no reason why there should be a different law and a different level of law for a person simply because they are needy.

Senator TALMADGE. I was interested in your testimony, Governor. I believe you stated that a newspaper reporter in San Francisco, just to determine how easy it was to get on welfare, got on welfare four different times in 1 day under four different assumed names; is that correct?

Governor REAGAN. Yes, sir. As a matter of fact, in the San Francisco area, a group of citizens became so concerned about this, they formed an organization known as Cheaters, Inc., and they publicized this, and they told the newspapers what they were going to do; they made sure everybody knew about it. They also employed a lawyer to keep them out of jail, because they didn't intend to steal money. But they set out to find out how easy it was to get on welfare, never cashing any of the checks.

They found the same thing was true. One woman stood in an office with four little girls who belonged to her neighbors, weren't hers, and testified she had five sons, and no one even bothered to ask her who were the four girls and who were the five sons, and put her on welfare. [Laughter.]

Senator TALMADGE. How do you think that can be corrected by this committee, Governor?

Governor REAGAN. Well, again, what we need is the right to actually—and as we are trying to do better now in California and have to the limit of our ability—have the right to question eligibility, to investigate and determine and to look at the tax records, to find out if there are relatives who can afford to support—all of these things that are now covered by the regulations having to do with confidentiality.

Senator TALMADGE. Let me see if I understand you. You mean HEW regulations are such that the State of California is not permitted to investigate a proposed recipient to determine whether or not they are truly in need? Does it go that far?

Governor REAGAN. Yes, sir. We have to take their word for it.

Senator TALMADGE. I appreciate your presence here today, and you have made a great contribution to this committee.

Governor REAGAN. Sir, if I can add just one more on confidentiality to show the height of ridiculousness it can reach: We had a county welfare director in California, who asked for some information on cases from his own employees, and they refused to give him the information on the basis that it would be violating the confidentiality regulations; and he obtained a court order to get his own employees to tell him about the cases, and then discovered why they were so reluc-

tant, because his own employees were on welfare; in fact, 196 county employees were drawing welfare.

Senator TALMADGE. Thank you very much.

The CHAIRMAN. Senator Miller?

Senator MILLER. Governor, it is a pleasure to see a former Iowan here, and we look forward to your return later this month. You stated that a family of four now receives $280 a month?

Governor REAGAN. Yes.

Senator MILLER. In addition to that, do they receive food stamps?

Governor REAGAN. Yes, sir. They would get a bonus of $108 worth of food stamps, which brings them to $388 a month.

Senator MILLER. Well, that makes $3,360 per year on the $280 base. Then you add the food stamps on top of that. Then they, of course, receive medicaid?

Governor REAGAN. Yes.

Senator MILLER. And in the case of some of them, they receive public housing?

Governor REAGAN. I assume that is so; yes.

Senator MILLER. So the total package, the total assistance, that a family of four receives is more than $3,360 a year?

Governor REAGAN. Yes, sir. As a matter of fact, just the food stamps and the grant alone for that family of four is the equivalent of a person earning about $508 a month on what this take-home pay would be.

Senator MILLER. Now, under your program, do the working poor receive any assistance?

Governor REAGAN. Well, they do under the present regulations.

Senator MILLER. Let's say somebody is working part time?

Governor REAGAN. Yes.

Senator MILLER. A mother with two children and receives $150 a month.

Governor REAGAN. Well, they do under the present regulations in the 30⅓ formula whereby they get work and continue to draw based on the formula a percentage or all of their welfare grant, and it was this—this is one of the court cases. We wanted to not eliminate but simply reduce by implementing a more realistic work-related expense idea; we wanted to reduce this amount in order to have more money for those who had no outside employment, and we are presently prevented from doing that while the case is in court.

Senator MILLER. Well, I take it what you tried to do is prevent a situation from arising where a person who is working full time and is earning a certain level of income is not discouraged because some other person who is working only part time receives earned income, plus welfare, which exceeds the total income of the person who is working full time?

Governor REAGAN. Yes, sir.

Senator MILLER. You mentioned cost of living. I take it that California is like many other States; there are cost-of-living differentials among different parts of the State?

Governor REAGAN. Yes.

Senator MILLER. Differences in San Francisco, for example, compared to a rural area around El Centro?

Governor REAGAN. That is right.

Senator MILLER. Does the State take into account those cost-of-living differentials?

Governor REAGAN. This was one of our big problems, and let me ask about this and what the situation was from people here from my staff.

This was one of our problems because we do have some areas with a very high basic need. We are operating on an average, on a State flat grant need, I believe it is, $314 for that family of four; and our $280, plus the food stamps, of course, goes up to $388 which puts us well above the standard of need.

Senator MILLER. Well, the fact is that while it may be above the standard of need, the family in San Francisco receives no more than the family in El Centro?

Governor REAGAN. No; but the $388 is above even the highest standard of need anyplace in the State.

Senator MILLER. I understand that, but why should a family of four living in San Francisco, where the cost of living is considerably greater, receive no more than the family in El Centro?

Governor REAGAN. Let me ask what our reasoning was, Bob. The answer I just received is, we flattened it out because the administrative costs were so great and the differential was not that great within our State; and so it would have eaten up, administratively, money that could have been used for the grant.

The CHAIRMAN. Governor, if you would like to have one or two of your technical advisers sit and help you with some of these technicalities or have them sit beside you, you ought to have them.

Governor REAGAN. I sort of felt like I was out front of the troops here. This is Robert Carleson, our director of social welfare of the State of California.

Senator MILLER. I would only observe that some States have sought to make differential payments. Perhaps it hasn't been too sophisticated. I understand New York State, for example, has a certain level for the New York metropolitan area and one or two other counties, and a lower level for the rest of the State. But your problem is administrative rather than one of recognizing that there is an inevitable problem?

Governor REAGAN. And it wasn't probably as extreme. I could understand where maybe to live in New York City is quite different than the cost level for outside of that particular city. I don't think our difference is that great.

Senator MILLER. Do the proposals that you are recommending to this committee include provision for day care centers for children?

Governor REAGAN. Yes, sir; we are working on that program right now to intitute these day care centers. So far in our community work program when it starts we intend to start by implementing first the fathers before—because we haven't implemented completely the idea of the child care centers, but we recognize the need for them if we are going to provide work for welfare mothers.

Senator MILLER. Have your people firmed up an idea about the age of children below which the mother would not be required to work?

Governor REAGAN. Yes, sir; under our plan no work for mothers of children under six.

Senator MILLER. Now, you mentioned strikers, and this, of course, is quite a problem. I recognize that welfare for strikers might tend

to perpetuate strikes. But, if you remove welfare for strikers, you run into a situation I have been talking to some people about. Suppose you have a member of a union in a plant, and the leaderhhip of the union calls for a vote on whether or not there is going to be a strike, and Mr. Jones votes "no" and then is treated like Mr. Smith who votes "aye."

Is there some equity that should indicate that Mr. Jones, who voted "no," and his family will receive welfare? How do you handle that problem? If you don't make a differential, aren't you in effect saying to Mr. Jones, "We are going to treat you just like Mr. Smith, who votes to have a strike." You really are discouraging people from voting against a strike——

Governor REAGAN. Well, I suppose so, but we do know in considering the resources available, the labor union includes the funds from public assistance sources and this bolsters their financial ability to prolong a strike.

I suppose under the theory of majority rule, once a decision has been made by the majority, the same thing would apply to all of them being treated equally just the same as all of them all stay out on strike although they might not have voted to go out on strike.

Senator MILLER. I recognize majority rule, but at the same time there are some minority rights involved which concern me very much, because those who vote against the strike or who are victimized by the majority may find themselves in a position of being treated just the same as those who vote for the strike, and if there is an area of need, the minority are more or less penalized because of votes of the majority; and they may be literally powerless to do anything about the majority rule.

Governor REAGAN. Well, of course, this is one of the tragedies in the whole strike situation. It is one of the reasons why I—and I was an officer of a labor union for 25 years and several times president of that union—I have always believed in the essential fairness of the average working man. I do not thing that when you talk about organized labor that you can talk about labor in the same tone that you use when you talk about the hierarchy of labor. I have always believed in secret ballot and I think there might be some differences in votes if on all policy matters union members have the right to vote by secret ballot.

Senator MILLER. Are you talking about strike votes, for example?

Governor REAGAN. Yes. I think there are some strikes that wouldn't take place if they voted by secret ballot.

Senator MILLER. Are there strikes now going on in California in which the strike has not been voted on by secret ballot?

Governor REAGAN. The one strike that is going on that has caused a great distress is the dock strike and I don't know how that was.

Senator MILLER. Any of your staff know?

Governor REAGAN. Any of the staff know? No.

Senator MILLER. One more question on this reporter who got on the rolls under four different names.

Do you think that can happen now under the reforms you have put in effect?

Governor REAGAN. Bob, answer that question, whether they can or not.

Mr. CARLESON. Senator, yes, of course, these kinds of things can continue. However, some of the loopholes that permit the abuses—for instance, where people are permitted to get more than one social security card. Another change we made was to require social security numbers of all of the family members on the application, which would include the children so there couldn't be a duplication.

There are several other changes we have made administratively and otherwise that will reduce this possibility.

We have also developed a statewide data processing system which we are not long from implementing which will permit us to cross check between counties and even though the counties would still be administering welfare at the local level, we get the advantage of statewide cross checking. We feel that this can also extend, of course, to the Federal level between States without going to Federal administration.

Senator MILLER. I take it the key to controlling it is through the social security system and data processing, using the social security number system?

Mr. CARLESON. Yes, Senator, limiting people to one number, for instance, permitting access to the information in the social security system and also in the Internal Revenue System and other similar systems.

Our new California program will permit this now within our own State system, in other words, our own employment security system, our State income tax system and otherwise, and to be able to expand this into the Federal system would be of great benefit.

Senator MILLER. Thank you very much. Thank you, Governor.

The CHAIRMAN. Senator Ribicoff?

Senator RIBICOFF. Thank you, Mr. Chairman.

Governor, your program represents a substantial departure from President Nixon's program under H.R. 1, does it not?

Govenor REAGAN. Yes, although there are many parts under H.R. 1 that we are in total agreement with and parallel the things that we have done.

Senator RIBICOFF. Basically, as I listened to your testimony it does represent a substantial departure from many important areas.

Governor REAGAN. Two, mainly, the family assistance plan and Federal administration.

Senator RIBICOFF. What does the President's Secretary Richardson think of your proposals?

Governor REAGAN. Our welfare reform? Well, he has expressed to me his own belief, own conviction, that welfare reform needs or must take place; there must be a reform.

Senator RIBICOFF. Yes, but he has not endorsed your proposals as a substitute for his, has he?

Governor REAGAN. No; I could not say that. [Laughter.]

Senator RIBICOFF. Let me ask you what is your unemployment rate in California today?

Governor REAGAN. Unemployment rate is around 6.2 percent.

Senator RIBICOFF. That amounts to how many people in California?

Governor REAGAN. This would be about 600,000.

Senator RIBICOFF. That is the man or the woman not working; that does not include the number of people dependent on the unemployed worker?

Governor REAGAN. That's right.

Senator RIBICOFF. That's right?

Governor REAGAN. Yes.

Senator RIBICOFF. So we are talking about a substantial sum of people in the neighborhood of maybe a million and a half, 2 million people who are part of families that are unemployed, assuming four in a family.

Governor REAGAN. Let me go back here and we may have some figures more exact on this. Our grant total of welfare caseload here——

Senator RIBICOFF. I am talking about unemployed as separate from your welfare caseload, if you know. You may not have that.

Governor REAGAN. Unemployed parents program—the actual 235,490. This is in December after our welfare reform, the 9-month drop from March to December, we had estimated there would be 399,000 by that time.

Senator RIBICOFF. I am not talking about the welfare recipients; I am talking about people who may be unemployed, getting unemployment compensation, who are not on welfare. There is no reason why you should have that figure but if you had it I would be curious.

Governor REAGAN. No. All we do know——

Senator RIBICOFF. Is the number about 600,000 people unemployed?

Governor REAGAN. Yes.

Senator RIBICOFF. How many welfare recipients are there? What is the total number of welfare recipients in California?

Governor REAGAN. Grant total—latest, December, for which we have it, 2,117,732.

Senator RIBICOFF. 2,117,000; tell me, Governor, how many of these 2,117,000 are employables?

Governor REAGAN. Oh, well, let me go down here. We will take out the aged persons, the blind, the disabled. We have down here the actual unemployed cases for aid to dependent children we have 50,766.

Senator RIBICOFF. In other words, you have some 50,766 people out of 2,117,000 that you consider employable?

Governor REAGAN. No, sir; because this does not include also the mothers with children over 6 that would be added to that.

Senator RIBICOFF. All right. Give me that total that you think are employable, mothers and males.

Governor REAGAN. About 150,000.

Senator Ribicoff. 150,000. So, in other words, out of 2,117,000 people on welfare you have got 150,000 people who are employable?

Senator MILLER. Would my colleague yield there?

Senator RIBICOFF. Certainly.

Senator MILLER. We are trying to get these figures right, Governor. In addition to 150,000, don't you have to count children, too?

Governor REAGAN. I was going to say, we are talking about heads of families employable, but you would add to that 85,000 children; in the unemployed males for that 50,000 males, you are talking about 235,000 people.

Senator RIBICOFF. I want you to take——

The CHAIRMAN. Now, since the Senator has been interrupted, might I just ask that you add one additional interruption?

Governor, how many fathers are there of those children we are talking about there? You talked about the mothers.

Governor REAGAN. This would be the 50,766.

The CHAIRMAN. Out of a caseload of 2 million, how many fathers do you have there, absent fathers, who are either working or ought to go to work?

Governor REAGAN. When you get now into the mother figure here, we estimate, we have spoken in percentages, 85 percent. We believe there are probably in California between 230,000 and 250,000 absent fathers not contributing to the support of their children.

The CHAIRMAN. Who ought to be made to contribute?

Senator RIBICOFF. All right, sir. Let's take everything you say. Let's say 150 and 50, that is 200; that is 500,000. Would you say that then in one way or another you have got employables out of that 250,000? Would that be the top? Is that a big figure or a small figure?

Governor REAGAN. Well, I don't know because the one breakdown we don't have is under these mothers in the family group.

Well, if you take the 250,000, many of those—those are not necessarily unemployed. Those are fathers who are employed but not contributing so their families would come under this family group, mother-headed households.

Now, under that, total persons 1,273,241; but we do not have a division of how many of those are under 6 years of age; and I wouldn't know how you would guess at that figure. Those above 6 years of age, with child-care support and allowing reasonable work-related expenses would be employable.

Senator RIBICOFF. But you would say, then, that if you were looking at the total number of people on welfare, the potential number of individuals who were cheaters and were trying to get away with something while it might be substantial in your viewpoint, certainly does not represent a majority of the 2,117,000. You wouldn't say that the majority of the 2,117,000 represent cheaters and people guilty of fraud, would you?

Governor REAGAN. Well, we don't want to talk about or consider it as employable, although some of these people are, the 315,000 aged, the 13,000 blind, or the 190,000 disabled.

Senator RIBICOFF. Well, I know this is what you are talking about, Governor. You see, the problem that we have, I think, is a twofold one: Are we going to devise a welfare system for this minority on welfare who are cheaters or are we going to have a welfare system that also takes into account the needy who are not fraudulent and are not cheaters?

Governor REAGAN. Well, Senator Ribicoff, I think our plan has done that.

Senator RIBICOFF. I am just asking you a general, philosophical question because it becomes very important in the dialog that takes place and I am sure you don't contend that the majority of the 2,117,000 people in California would be cheating or trying to defraud the State or the Federal Government. I am sure you don't make that contention, Governor.

Governor REAGAN. Senator Ribicoff, I mentioned in my original statement my belief that the majority of people on welfare would like to be off welfare.

Senator RIBICOFF. That's right. I agree with you.

Governor REAGAN. And I agree with this, and we don't want to tar them; but, by the same token, I think that with resources being strained as much as they are, because California is one of the highest taxpaying States in the country as far as local and State cost of government is concerned, as well as contributing our share to the Federal Government taxes, I don't think that it is fair to the person on welfare to have someone beside him sharing in the revenues that can be made available and you are not able to give this person what he really should have to live a life that has got more than bare subsistence, nor is it fair to the people who are being strained by the taxes to distribute this. So I think you have to have a welfare plan, as ours did, aimed at helping the truly needy to the best of our ability; and I would hope we could provide for those people who have through no fault of their own no way of earning a living, some of the luxuries that make life worth living as well as bare subsistence, but, at the same time, I believe that plan can insure that those in our midst who will always try to find a way for an easy dollar should not share in those revenues and should not be over there with them and I don't believe that it is necessary to tar them.

You spoke of the myths of welfare. Yes, there are myths. There are a great many people who out of their irritation believe that everyone on welfare is a lazy bum and this is not true. By the same token, I think what is as big a myth as I ever read is the propaganda recently released by HEW about the myths of welfare, because they have got some pretty good myths in there, too, when they reduce down and say there is virtually no one who can be employed.

Senator RIBICOFF. In other words, you think the Republican administration is not telling the people the truth? [Laughter.]

Governor REAGAN. Senator Ribicoff, for many years, both when I was a Democrat a few years ago and now that I am a Republican, my criticism of government has never been so much aimed at those who were elected to office as to a permanent structure of government that is more or less determining policy and doesn't much care who gets elected because they have been running the show pretty much.

Senator RIBICOFF. Let's get your figures. So you have 600,000 people unemployed and your pattern there must be something like the pattern of my own State of Connecticut; you have had layoffs in many of the space industries; you have scientists, you have trained individuals, you have experienced individuals; you have man individuals who have a strong work ethic who can't find a job today in California and want to work out of that 600,000?

Governor REAGAN. That's right.

Senator RIBICOFF. If you have got 600,000 unemployed people who represent the cream of the American work force, do you think the average employer is going to take out of your figure that you have of 50,000 men and 150,000 women, many of them without experience, without training, give them a job over and above the 600,000 experienced people who are out of work?

Governor REAGAN. No, sir; but I would like to point out that too many people in America, and I know this isn't true of you because I know you are far better informed in this, but too many people when they think of unemployment they think of a vast body of people like

here in the depression days sitting month in and month out permanently unemployed.

Now we know normally in this country there would be around 4 million unemployed at the peak of prosperity. These would be composed of newcomers into the work force who have not yet gotten a job; they would be composed of women who are not the provider for the family but would like, with the children older and so forth, would like to have some kind of work that does not interfere too much with family life, and there are people voluntarily between jobs.

We know that 4 million is an ever-shifting group. The average length of time it takes one of them to get a job is about five and a half weeks. When we have an increase in unemployment I don't know why we call it 6 percent or 7 percent when we have one of these slumps; what we really ought to call it is how much unemployment, unwilling unemployment, is there above this normal between-job type of person.

But in our work, community work program, our approach in California is that we have a human resources department that is concerned with getting jobs and those people are not caseworkers; they are job agents. First of all, we know that among the hard core unemployed it isn't just the lack of a job skill; it is lack of even job discipline, the knowledge of what it is like to get up in the morning and report and take orders from someone. There are people who can't even find their way to a job when they get it and they learn this.

Now, these people would be doing this work and job agents—would be assigned to them, would be watching, would be encouraging them on the basis of what they are doing to either seek work or to use their spare time, because we don't intend anyone to work over 80 hours a month and the rest of that time could be involved in job training and the rest. And then they would be funneled into jobs as they come up.

But we, with this unemployment—there is a strange thing about unemployment in America today. Every Sunday the largest newspaper in California—I have just kept track of this—every Sunday the Los Angeles Times averages about 20 full pages of help wanted ads. These are not Mickey Mouse jobs if you make candy at home and sell it door to door, something of that kind. These are jobs for truck drivers, clerks, clerk-typists, filing clerks—go down the line of legitimate employment.

I have often wondered how do we call a welder unemployed if in his city there is an employer asking for a welder coming to work. I have to conclude the welder who is sitting unemployed must perhaps be sitting out his unemployment insurance and just isn't ready to go to work yet. But this goes on week after week; this is true of most of the papers. I don't know the page count in the others.

So I think if we view this, if we view unemployment as when we have a period like excess unemployment, it again is not a permanent group; it simply means that the 5½ weeks it takes to get a job becomes 7½ weeks.

What we are talking about with these people on welfare is that group of people who are permanently unemployed or who have been employed, are unemployed longer than 6 months, and we don't believe that it is an easy job to filter them in. But we believe if in the meantime these people are contributing something so that for the money

that is spent that they not only are being helped by the practice of the work ethic but that the taxpayer, the man who is footing the bill, can look and say in return, "Well, we did it with WPA," and there was very little direct relief in the days just preceding the windup for World War II; most people were on WPA in this country and today you can still look in very community and every State at a great many things that were created by this community work force.

Senator RIBICOFF. I will get to that, but let me keep on this unemployment.

I am sure again your explanation of the 5 million people unemployed in this country should be a very welcome explanation to the Nixon administration; even they haven't dared to come up with that explanation of the unemployment force in this country. They have tried a lot of stuff. [Laughter.]

Governor REAGAN. Well, I would think that the answer to that, of course, is to have an economy that is beginning to take these people in. I think if you are going to talk about the present problem, I think the dumping of 2 million military and defense personnel onto the work market is going to cause temporary unemployment.

Senator RIBICOFF. That's right; and it is not temporary because if I remember, Senator Magnuson and myself sponsored a bill which passed the Senate to extend unemployment compensation 26 weeks and it came out 13 weeks; but as I recall both your Senators for whom I have the greatest respect, Cranston and Tunney, representing your State, were very, very anxious for that because they thought it would be a considerable advantage to the large unemployment group in the State of California who had exhausted their unemployment compensation as they had in my own State of Connecticut and Senator Magnuson's State of Washington.

Did you approve the action of Senators Cranston and Tunney to support the extending of unemployment compensation to those people who have exhausted their unemployment benefits?

Governor REAGAN. I had no quarrel with that.

Senator RIBICOFF. You have no quarrel with that?

Governor REAGAN. No.

Senator RIBICOFF. All right. Now, so, therefore——

Governor REAGAN. I did quarrel with the Senators proposal, though, to substitute for the SST a welfare program to help the workers pay the mortgage on their homes. I thought it made more sense to build the SST.

Senator RIBICOFF. That's all right. [Laughter.]

Senator RIBICOFF. Let's get back to these people that you could put to work.

Now, you talk about these community job groups. How many people on welfare have you placed in these so-called community jobs? What is the number?

Governor REAGAN. Senator, we are still waiting for permission from HEW but our project that we are asking approval for has—would involve about 40 percent of the total AFDC load and out of that, 58,000 we have concluded, in those clusters of counties, would be eligible for this community work program.

Senator RIBICOFF. Pardon me? In other words, this is not a—this is a program you want to put into effect but is not ongoing?

Governor REAGAN. This is part of our reform which requires a waiver from HEW for a demonstration project and they will not permit demonstration projects on a statewide basis. I wish they would.

Senator RIBICOFF. I see. So, basically, what you are doing then is, you are talking about public-service jobs because you mentioned what was done in WPA?

Governor REAGAN. No.

Senator RIBICOFF. Is this the type of work that would be in the public service category?

Governor REAGAN. Well, now, this term—let me make it very plain because I know that public service sometimes envisions job slots. Now, there was another program in the Federal Government in cooperation with HEW and the Department of Labor, and this is one of the reasons why we couldn't use some counties in our project such as Los Angeles County, Riverside County, San Bernardino County, because they want to use this experiment whereby the Federal Government is putting up the money to employ people in public service jobs.

Very frankly, I am not enthused about that. This is a temporary project. The people will be employed in public slots and I don't know how you ever get rid of them once the temporary project is over.

Ours is work, community work. It is not a job slot. It would be work. For example, when I mentioned watchmen in the schools——

Senator RIBICOFF. That is what puzzles me. What did you say the loss in Los Angeles was from vandalism in schools?

Governor REAGAN. $50 million.

Senator RIBICOFF. If you had watchmen taking care of watching schools against vandalism somehow that to me would be in the public service category.

Governor REAGAN. Yes.

Senator RIBICOFF. When I talk about public service jobs——

Governor REAGAN. The reason, Senator—I apologize—the reason I wanted to differentiate—because lately in the semantics that have grown up about all of this and particularly with this new Federal program, public service has been taken to mean actual employee slots, permanent type slots in government.

Our community work project is aimed at not replacing legitimate government employees nor providing work that normally would be performed by the private employee. In fact, we want the cooperation of organized labor in this type of work.

We are talking about work in the public interest in the community that would be done if you had unlimited manpower and funds, which you don't have, but which doesn't get done and——

Senator RIBICOFF. For instance?

Governor REAGAN. Well, here are potential community work experience assignments. This is quite a list. There are 59 down here.

Senator RIBICOFF. Suppose you give us an example. You can file the examples. Will you please file that?

Governor REAGAN. Yes; we will file it.

(Information referred to follows:)

LIST OF POTENTIAL COMMUNITY WORK EXPERIENCE (CWEP) ASSIGNMENTS

1. Horticultural Aide.
2. Vehicle Maintenance.
3. Road Cleanup.

4. Parking Lot Attendant.
5. Janitor.
6. Messenger.
7. Clerk.
8. Typist.
9. Groundsman.
10. Stock Clerk.
11. Reproduction Clerk.
12. Park Maintenance.
13. Warehouseman Aide.
14. Mechanic's Helper.
15. Electrician's Aide.
16. Carpenter's Helper.
17. Painter's Helper.
18. Highway Maintenance Helper.
19. Sign Maintenance Helper.
20. Watchman.
21. School Crossing Guard.
22. Library Aide.
23. Tool Maintenance Aide.
24. Building Maintenance Aide.
25. Flood Control Aide.
26. Trail Maintenance Aide.
27. Fire Prevention Aide.
28. Day Care Center Aide.
29. Playground Monitor.
30. River and Stream Maintenance Aide.
31. Survey Taker.
32. Kitchen Helper.
33. Gerlatric Aide.
34. Lobby Monitor.
35. Police Aide.
36. Plumber's Helper.
37. Poundsman's Aide.
38. Hospital Aide.
39. Laundry Worker Aide.
40. Election Aide.
41. Reforestation Aide.
42. Fisheries' Aide.
43. Traffic Signal Aide.
44. Tree Trimmer Aide.
45. Swimming Pool Attendant.
46. Recycling Station Aide.
47. CWEP Aide.
48. Agricultural Products Inspector Aide.
49. Snow Removal Aide.
50. Roadside Rest Area Maintenance Aide.
51. Sewer Maintenance Aide.
52. Fair Grounds Aide.
53. Teacher's Aide.
54. Attendant Aide.
55. Inventory Clerk.
56. Pollution Control Aide.
57. Messenger.
58. Operate Simple Machines.
59. Use Simple Tools.

Governor REAGAN. Road cleanup, parking lot attendants in our parking lots, janitors, messengers, clerks, typists, groundsmen, clerks, reproduction clerks, park maintenance—we have a number of State parks in California. We have purchased thousands of acres of land in State parks; it is sitting there waiting on a priority list until we can provide the manpower for it. We could be completing the roads in there, fencing these parks, and making them available that much sooner.

In the teachers' strike in Los Angeles a year or so ago, one of the great demands of the teachers was they no longer wanted to have to serve extra time in addition to teaching as monitors in the corridors or in the lunchrooms or on the playgrounds. It seems to me this would be a legitimate kind of work that could be performed by able-bodied welfare recipients, both men and women.

Senator RIBICOFF. I am puzzled because, frankly, one of my amendments to H.R. 1—provides for 300,000 public service jobs and what you are describing is exactly the type of job I have in mind as a public service job because this is to do something that the community has a need for yet you say you don't consider those public service categories. I don't want to replace your employees in Los Angeles or Sacramento or San Francisco, but there must be in your State, like in mine and every other city, many types of jobs that could be placed in existence, and the only thing, the only reason they are not is because of the limitation of your budget in your cities and your States.

Governor REAGAN. Yes, sir; but let me point out that we are talking not about a permanent job for the individual, that we would move him out of this community work as quickly as possible into another regular job.

I think the difference that I am trying to make here is that California State government was increasing its number of permanent employees in State government about 7,500 a year for a decade or so before my administration. We put a freeze on that and we now have 1,800 fewer State employees than when we started 5 years ago and, incidentally, efficiency has vastly increased. We are carrying on an increased workload at least. We are not interested in any program that would stimulate the, say, addition to a department and saying, "You now have permanently 500 employees instead of 250."

Senator RIBICOFF. I don't talk about that, Governor. Let me give you some examples: In other words, you must run in California a large number of hospitals of all kinds; do you not?

Governor REAGAN. We have a great many hospitals.

Senator RIBICOFF. You know you have a great many hospitals there—and many of your hospitals probably, because of budgetary problems, don't have as much help as they could use to really take care of your patients?

Governor REAGAN. That's right.

Senator RIBICOFF. And what I have in mind—I don't think it is dissimilar to yours, but let's say you brought some of these employees into a hospital and you had a training program involving the Federal Government and yourself, and you brought them in and you paid them the going wage, the minimum wage for 40 hours of work and they worked 20 hours on a task, whether running an elevator or removing garbage or bedpans or cleaning up the floors, and the other 20 hours they would spend in being upgraded and uptrained to move into a permanent job in the hospital system where then they would be into a permanent job, go off welfare completely and be in the regular slot as it opened up and then you would replace it with somebody else who is going through that training program.

Are you and I on the same wavelength of how we should take people off welfare and train them or not?

Governor REAGAN. Well, I am not sure whether we are. We view this community work project as one in which people receiving their welfare grant work for that welfare grant, in whatever task of the kind of you have mentioned have to be done and I am sure many of those tasks would be included.

We are very fearful of a program that creates slots and suddenly says a hospital will now get 50 more employees than it had and forever after you have increased the staff of that hospital by 50 employees.

Senator RIBICOFF. In other words, let's say that the State of California would be allocated say, in Sacramento, *x* number of jobs you would approve each and every one of those what I had in mind in public service oriented employment; but we should be careful not to give the impression that a lot of people are not working because they don't want to work.

There are 5 million people unemployed in this country and we don't have jobs for them in your State or mine. Where are we going to find work for these people we require to work to support the family and go off welfare unless we find something for them to do.

In other words, let's get the dialog in this country, from the President, in the Senate, the Governors' offices, and the people down to the realities of what America is facing today.

I mean, I think that unless we get this dialog down to a sense of reality we are going to have trouble solving this entire welfare problem because we have two phases of it. I don't think there are any of us who want the cheaters there and I think everybody on this committee, whether liberal or conservative, are going to try to plug those loopholes.

But let's not punish and let's not be unrealistic about the vast majority on welfare who are not cheaters and who are unemployed.

Governor REAGAN. Well, Senator, here we are on the same wavelength and in California we are not talking about getting "lazy bums off welfare." Perhaps the one difference between us is that Washington constantly thinks in terms of a grant and new money. I claim the money is already being paid, that an individual is being paid a subsistence the same as a worker is being paid a subsistence. The worker's is called salary; the other person's is called a welfare grant; and I would like very much if you would stop calling it a welfare grant and call it pay. But it is the same money.

The jobs that are not now being done—cleaning up the hospitals or cleaning up the roads or anything else—that work is still there because there is a lack of funds and manpower. But the funds and manpower are there; they are there every day. The people, able-bodied people on welfare who are receiving a check from the Government, but have to do nothing for it, and I see nothing wrong with calling that a work check and letting those people have the respect of leaving the house in the morning instead of sitting on the porch when the kids take off for schools and they are still there when the kids come back.

Senator RIBICOFF. There is no argument between you and me at all on it——

Governor REAGAN. But this is what——

Senator RIBICOFF (continuing). This is why I am saying I want the discussion to be on the basis—what we are trying to do.

Governor REAGAN. All right, sir.

Senator RIBICOFF. In other words, this is how a national debate should be conducted on the facts and the realities instead of the myths. This is what I am talking about. I am not talking about the myths that HEW pointed out but I am talking about how do you devise a program to put people to work when you have 5 million people out of work and unemployed.

Now, if we discuss it on that basis we might try to devise a program that takes various thoughts and puts them together and saves some dignity and respect for people in this Nation, who just happen to be poor.

Governor REAGAN. Well, Senator, the California welfare plan is not a myth; it is proven already with the limited ability to implement it within the regulations that it works, and we think that this other addition to it would be a most helpful one. But, again, what I come down to the difference is that the work-fare experience or experiment that is being conducted by the Department of Labor and HEW and some of our counties is again additional millions of dollars, $30 million in San Bernardino and Riverside, $20 million in Orange and Los Angeles Counties in which the Federal Government says, "Here is the money; put these people to work in government jobs."

Maybe that is the term instead of public work, "government jobs."

Now, my contention is that in the permanent staffing of that kind in government jobs what happens when the $20 million stops or the $30 million stops, do you say to these people "OK, back to the breadline now. The picnic is over"?

I can cure unemployment, too, if you give me about $8,000 per unemployed to give him a job, whether it is needed or not. My contention is that the money that is being paid right now in Riverside, San Bernardino, Los Angeles and Orange Counties to the able-bodied welfare recipients, if you simply asked them to perform useful work that would be found for them within government in return for the money they are now getting, you wouldn't have to put up extra money; just give us the right to do this.

Senator RIBICOFF. That is fine. You and I, we see eye to eye. I wanted to bring that out.

One final question:

There are 168 poverty programs in this country, and we are spending $31 billion on these poverty programs and I am sure in California you have got the whole 168 of one kind or another.

Do you think each and every one of the 168 poverty programs we have in this country at the cost of $31 billion are actually removing people from poverty?

Govenor REAGAN. No, sir; as a matter of fact, one of the greatest problems we have confronting us now is we can't tell you, and no one else can, how much money is coming into California in those programs, how many there are, where they are, whether they are duplicating, whether they are training people for jobs that don't exist. We don't know. We have our own people who have been trying to catalog and form a list of them but they can go to the neighborhoods, they can be directly between the Federal Government and communities, they can be between the Federal Government and lesser governmental

agencies or just a committee that forms an organization in a community.

Once again, these things if they were channeled through a State, I guarantee you that—well, frankly, I think that California could probably run the State government with the spillage. [Laughter.]

Senator RIBICOFF. This is very important. Do you think on that list of 168 you could chop off one-third of the lowest priorities in that poverty without hurting the State of California or the United States?

Governor REAGAN. Who is going to set the priorities?

Senator RIBICOFF. Well, I know, but this is something—we vote the money and this is our responsibility.

Governor REAGAN. Yes, sir.

Senator RIBICOFF. Right here.

Governor REAGAN. And we would like to help.

Senator RIBICOFF. It is the responsibility of Senator Long and Senator Ribicoff and Senator Bennett and all of us here; this is our responsibility, you see.

Now, you see, I make this point: I am convinced that out of these 168 programs at $31 billion many of them are useless and duplicative; I am a liberal and you are a conservative, you see, but we have come to the same conclusion; but the irony of this is if you took $31 billion and gave it to the people, distributed it to the people, in poverty, who are now in poverty, would be above the poverty line.

I just want to make the point to emphasize again the responsibility that this committee has, because one of the problems that you are going to have, if you pass any welfare program in time of great deficits, is to find the money. And what you can't do is to waste money that is now being spent supposedly to take people out of poverty; and actually you are not removing them out of poverty and the programs are useless.

This is the responsibility of the executive branch and the Congress. The executive branch which is supposed to have the knowledge does not disclose it and Congress is a helpless giant because it has no way within its organization to determine which programs are worthwhile and which are not.

Governor REAGAN. Senator, you do have that power, and you could do it very simply, if you would allow 50 State administrations to help you. If all of the poverty programs were funneled through State governments so that we knew and could catalog and knew the distribution of them, believe me, we could save that $11 billion for you.

Now, I have got a reputation for vetoing poverty programs of those that do not allow a governmental veto. I could give you the first veto I ever exercised in that way. It was on a program in one of our rural counties in which the program was going to put 17 of the hard-core unemployed to work clearing some of our—those parklands that I mentioned before, and I vetoed the program, not because I am against that, but because half of the money available was going to go for seven administrators to see that the 17 got to work on time. [Laughter.]

But the trouble is there is no one today in Washington, no one, nor is there anyone at the State level, who knows what the programs are, how many there are or where they are.

Senator RIBICOFF. You know, again, in 1968 when you Republicans ran you were going to clean up that mess in Washington. [Laughter.]

That is what you said, you know, and these Augean stables where everything was being wasted and money was going down the drain, as I listen to your testimony now it is just as bad in 1972 as it was in 1968.

Governor REAGAN. Well, Senator, sometimes it takes——

Senator BENNETT. Senator, I can't let that one pass.

In 1968 we should have cleaned up control of Congress and then you could blame it on us. [Laughter.]

Governor REAGAN. Senator, I am reminded of a ranch I bought once and there was a stable on it with six stalls and evidently those stalls had been used for cattle and I had horses and I took one look at them and I said they had to be cleaned up. And then I found out that what had been going on for 40 years you couldn't clean up in 3.

Fortunately, I was spared the problem because we had one of our frequent California brush fires and I lost the barn.

Senator RIBICOFF. I assume you are including the 8 Eisenhower years? [Laughter.]

Governor REAGAN. Except for two of those eight he had a Democratic Congress.

The CHAIRMAN. Senator Jordan?

Senator JORDAN. Governor, your testimony has been a distinct contribution to the deliberations of this committee and I congratulate you on a fine statement and good answers to the questions that have been propounded to you.

I want to be sure that I get the figures straight. Did I understand from your testimony that with the implementation of your program—your reforms—some 176,000 people were removed from welfare rolls between April and December of 1971, and that had you not implemented any reforms whatever, the welfare load might have increased at the rate of 40,000 a month for those intervening months as had been the custom in the past?

Governor REAGAN. Yes, sir. Our projections were that there would be——

Senator JORDAN. Projections?

Governor REAGAN. There would be 495,000 more than there actually were in December.

Senator JORDAN. Yes; that is what I am getting to. That bears out the figures that I made roughly here—that some 319,000 didn't go on welfare because of your reforms and 176,000 were actually removed from the welfare rolls.

Now, that amounts, by the way, to a spectacular 24 percent of the number that were on welfare in December of 1971—495,000.

As I understand you, those two figures are 24 percent of the 2,117,000 who were on welfare in December?

Governor REAGAN. No. What was projected to be on; we were 176,000 fewer in December than we were in March.

Senator JORDAN. Yes.

Governor REAGAN. But our projection on our budget based on the rising line for the past several years had been that by that time there would be instead of 176,000 fewer there would be 319,000 more.

Senator JORDAN. That's right; that makes 495,000?

Governor REAGAN. Yes.

Senator JORDAN. But that is 24 percent more than——

Governor REAGAN. That is 24 percent.

Senator JORDAN (continuing). More than actually were on welfare in December 1971?

Governor REAGAN. Yes, sir.

Senator JORDAN. So I think your results are spectacular.

My question is, what happened? We know what happened to the ones who have come on welfare, but what happened to the 176,000 who were removed from the rolls? Did you keep any case records of what happened to them?

Governor REAGAN. Well, now, this is one of the hard problems, sir, to uncover. One specific that we do know that accounted for some of this was we simply switched to a Federal rule. We found out when we began, when this task force began working, we found out that for the 2 or 3 years before when we had been trying to do something about welfare—I must be fair and say we found that our welfare people in many instances were claiming they were doing things because there were Federal regulations and we found out they were State regulations and we did some changing.

One of those was that we were declaring unemployed any man who worked less than 35 hours a week and we found that the national rule is 25 hours a week. This, in itself, changed the eligibility to people who couldn't come on because they were working, say, 34 hours a week.

Senator JORDAN. Yes.

Governor REAGAN. And the other, a part of it, we actually can't put our finger on.

Now, some of the counties panicked and said when you start tightening up here they will go from there to direct county relief where they will be totally the burden of the county.

But county relief has gone down 47,000 so they didn't go to county relief. We have to assume that this represented some cheaters who, when we tightened up, just went away. We have to believe that some people who before in the easier climate had found that it was very easy, they were almost being persuaded to go on welfare, discovered that now with the new atmosphere that welfare workers were not out soliciting clients and just didn't go on. But they did not add to the unemployment. As a matter of fact, the decline started while California's unemployment was still going up.

Senator JORDAN. Was there a general upturn in the economy of California from April to December of 1971.

Governor REAGAN. No, sir; there has been just recently. We have had a slight decline in our unemployment, as is typical all over the country, that there is a beginning comeback, but our great decrease in welfare rolls was going on, as I say, while California's unemployment was increasing.

Senator JORDAN. Yes. So, actually, the potential receivers of welfare who didn't go on the rolls, and the ones that were removed from the rolls, made no appreciable difference in your unemployment numbers?

Governor REAGAN. No, sir.

Senator JORDAN. They were absorbed in the economy someplace?

Governor REAGAN. That's right.

Senator JORDAN. I was interested in the colloquy you had with Senator Ribicoff relative to public service jobs.

Would you agree that if a person is—an able-bodied person on welfare is—would you agree that he has the right for an opportunity to work?

Governor REAGAN. Oh, yes, sir.

Senator JORDAN. The right for an opportunity to work?

Governor REAGAN. Yes, sir.

Senator JORDAN. Yes. Now, then, you sparred with Senator Ribicoff about the openings that might be provided in public service, and, I think, there are substantial jobs yet to be done in public service at all levels, constructive, profitable jobs.

I would explore with you briefly what might be—what might we expect from the private sector in the way of increased employment if certain incentives were offered to induce people to employ others, those on welfare, we will say.

We had testimony here the other day from a woman who pleaded with us to allow the hiring of someone to babysit with her children when she worked, or to do housework, that that would be deducted as a business expense. That makes a lot of sense to me. Do you agree that that should be done?

Governor REAGAN. Yes, sir. I don't see any reason why we can't use better than we have the tax incentive idea. Why shouldn't the householder who hires a repairman, hires someone who comes in to do that kind of work, why shouldn't that be as deductible as repairing a business establishment, and I think the rate of pay would go up for those people because a person could afford to pay better if this were a deductible expense; so this would become not as is so often called a menial job; it would become a better job. Those people would then be paying more taxes themselves and sharing the burden, and I do think that more would be employed.

Senator JORDAN. All right. In the case of a working couple with no children, and they need someone to do the housekeeping, maybe the cooking, are both employed, would you suggest that that should be a deductible expense?

Governor REAGAN. Yes, sir.

Senator JORDAN. In order to make jobs?

Governor REAGAN. I think it is obviously a necessary expense if they are both to work and earn and they both are paying taxes; yes. I think they should be able to deduct that.

Senator JORDAN. That might open up a considerable number of jobs in the private sector. Those two items themselves might open up a considerable number of jobs in the private sector?

Governor REAGAN. Yes, sir; with all our unemployment, and I mentioned the figures awhile ago about the newspaper and the ads for help wanted in California—this type of work is one in which in the midst of so-called unemployment, employers are seeking employees and can't find them.

Senator JORDAN. All right. Then let's go a step further. There is very little need nowadays for people with no skills whatever. Most want ads that you were reciting there call for some type or other of skilled labor. Would you think it would be advantageous in order to

create more jobs in the private sector, that businesses be allowed to take tax credits or some kind of a subsidy to train workers for a steady job who are not, before training, able to fill a notch in the private sector?

Governor REAGAN. Well, I have wondered, if I understand your question correctly, I have wondered if we have explored all of the avenues for again using the tax incentive as an inducement for industry to engage in on-the-job training?

Senator JORDAN. We had testimony here the other day from a man who is a labor director for an international corporation, and he made a considerable study of this matter, and he said the jobs are not altogether with the great corporations that are listed on the stock exchange.

This guy runs a service station around the corner, is working 14 hours a day because he can't get someone, or one or two people, to share the burdens of responsibility with him, and this goes on and on right in your own community—the single employer who needs help and needs experienced help and would like to train someone to help him. It would be helpful if he had a little tax break on it while he was doing it, so he didn't go behind before that was productive enough to make his own wages.

Governor REAGAN. Yes, sir. There is another one along that line, if I could volunteer it. The highest rate of unemployment in the country today is apparently for teenagers, young people.

Senator JORDAN. Yes.

Governor REAGAN. I remember I worked my way through school, both high school and college, and I remember when an employer could hire you for a summer job or a part-time job after school and at the end of the day or week reach in his pocket and pull out the money and pay you in cash, and there was no bookkeeping and there were no deductions for social security or any of these things; and I would think if we could make some exceptions for this type of employment so that the employer—I think the average employer today thinks of an after-school job and then he thinks, "But the paperwork when I sit down and have to start doing all the things that have to be done in regard to this," he decides against it, or he says, "I will wait until I can get someone full time if I am going to do that." I think maybe we might solve that particular problem and get a lot of jobs for a lot of people, if we would simply waive many of the social welfare requirements that go with the hiring of an employee.

Senator JORDAN. There is one thing these hearings have brought out, and that is the divided responsibility between the Federal Government and the States makes for a very bad and wasteful administration and especially in aid to dependent children. There are two ways to go: One way is to federalize, turn the whole thing over to the Federal Government; and the other is your proposal to give the States a stronger role with some decisionmaking authority. And I think you have made a very strong case for the latter, for the right of—if we are going to run some tests, if we are going to run some tests on nationalization and nationalized welfare problems, we should also run the kind of a test that you have already implemented in California on giving the States more flexibility, more latitude, in making a decision, and then compare the two. Would you agree that is a fair statement?

Governor REAGAN. Yes, I do. We have been told there cannot be statewide demonstration projects under the present law or regulations, and yet I think this is probably a mistake. California is a microcosm of the United States; we have everything. We have the racial mix, the minority mixes; we have cities; we have lumbering, mining, farming, whatever—and if we, as a State, could conduct such an experiment, I believe at the national level, I can understand a reluctance and inertia because to experiment on a nationwide basis if you guessed wrong it is cataclysmic; but if California, for example, could take over our welfare reform totally and be given a waiver to conduct these for a period of time as an experiment, first of all, I think we might double that money we are saving for the Federal Government.

But, I believe, also, that there are other States—we can all learn from each other, and they should be allowed to do this.

Senator JORDAN. A year or so ago, we were talking about pilot projects, and I had in mind the District of Columbia would be a most excellent place to test H.R. 1 or an administration plan. We wouldn't have any Governor to go through; we wouldn't have to bother with any legislature; this would be right here at hand; this would be a good laboratory for testing H.R. 1; and a State such as yours, or any of the other States, might be an equally good laboratory for testing your point of view, and I would like to see that implemented before we put permanent legislation on the books. Thank you very much.

Governor REAGAN. Thank you.

The CHAIRMAN. Senator Fannin?

Senator FANNIN. Thank you, Mr. Chairman.

Governor, we are privileged to have you here with us today. I regret I was on the Senate floor some time this morning and did not have the opportunity to hear all of your testimony.

I am very impressed with your statement. Those portions that I have read cursorily certainly indicate to me that you are on the right path. Obviously, your experience in California proves that. Is the State of California permitted to have deficit spending rather than revenue bonds?

Governor REAGAN. No, sir.

Senator FANNIN. You must have a balanced budget?

Governor REAGAN. Yes, sir.

Senator FANNIN. Well, I think that is one of the great differences between the State and Federal Governments. You on the State level cannot spend money that you do not have in the bank, and you cannot write insufficient funds checks, whereas on the Federal level, of government, deficit budgeting is allowed. We can spend money we don't have.

The way our national debt is growing it seems we are never going to be able to obtain fiscal responsibility. I think that is the very important factor between what is happening at the State level with your great efforts to try to control spending, and at the Federal level where we have not made that same effort.

Governor Ogilvie appeared before us a few days ago, and he talked about these expenditures for welfare programs. I notice that you say that, "We simply overhauled the present structurally sound welfare system. We insured adequate aid to the aged, the blind, the disabled,

and children who are deprived of parental support, and reduced aid to the nonneedy with realistic work incentives so that funds could be redirected to the truly need."

Now, there are several programs, of course; this is why we are so concerned about the projection of costs of H.R. 1. There are several program—medicare and medicaid—you have had experience at the State level with, and I note you make the statement in your remarks here, that "HEW, national welfare, and medicaid costs combined increased last year by 27 percent. In California, we estimate an increase in welfare and medicaid costs of only 5.9 percent next year."

Now, in that regard, Governor Ogilvie said that the medicaid costs now in the State of Illinois' represents 44 percent of their welfare budget. Do you know how that compares with California?

Governor REAGAN. Bob, just about what would it come out to? It might not be too far away.

Mr. CARLESON. It is a little smaller, but with the welfare savings, it is getting closer all the time.

Governor REAGAN. We have reformed—medicaid was part of our reform. We have now reformed medicaid in California, and the savings in this fiscal year in those reforms are $80 million.

Senator FANNIN. Of course, medicaid and medicare both have exceeded the projections many times over, several times over—let me put it that way—and I imagine it has been true in California as well as in the national happenings.

Governor REAGAN. Yes, sir.

Senator FANNIN. I do feel this is one of the problems we face—you have certain requirements from the standpoint of Federal regulations. I am wondering if in attempting to establish your programs, you are being hindered by the provisions in Federal regulations pertaining to, for instance, safeguarding information? Now, this is just a page from the Federal Register which shows just what the States must do in pursuing their efforts to cut back on payments that are either fradulent or could not be verified properly.

Is it a problem at the State level to accomplish what you think is necessary to determine whether or not people should be on welfare or receive welfare benefits? Are you hindered by the Federal regulations?

Governor REAGAN. Yes, sir. One of the amendments we are asking for is to broaden the availability of public assistance records to other public agencies for any legitimate public purpose, and we think legislation is needed to provide that such records are available to all public authorities for any legitimate public purpose to eliminate impediments to cross-checking with State and Federal tax authorities and to accomplish this we are suggesting the Social Security Act sections 2(a)(7), 402(a)(9), 1402(a)(9), 1602(a)(7) would have to be amended.

All of this is in the presentation that we have made.

We think that by restricting the use of disclosure of information concerning applicants and recipients only for purposes directly connected with the administration of public assistance is a proper control and safeguard in administration.

Senator FANNIN. Thank you. I know you are very well acquainted with Governor Williams of our State. Recently Governor Williams was complaining bitterly about the regulations.

As you know, Arizona has been involved in recent lawsuits concerning Federal regulations. I believe California has also been involved in some of these problems.

Arizona has a regulation of cutting off welfare payments to anyone absent from the State for more than 90 days. Do you have that regulation in your State?

Governor REAGAN. We have now made it 60 days and we found out we were sending checks all over the world. As a matter of fact we were sending two checks to Russia. [Laughter.]

Senator FANNIN. Well, of course, HEW enforced the rule against Arizona, stating we were not in compliance when we cut them off after 90 days.

Governor REAGAN. How do we get away with this, Bob?

Mr. CARLESON. Well, in our law we formerly had 1 year. If they were gone 1 year then you could presume that they had shifted their residence and the burden of proof was on the recipient to show otherwise.

Legislatively, in our reform program, we have reduced the 1 year to 60 days so that there is a presumption that after they have been gone 60 days they have moved their residence.

Now, if the recipients can prove that they have not moved their residence and they are still a resident of California, then they would be eligible for aid.

Senator FANNIN. I know that this is quite a problem in the State of Arizona and I am sure it is in other States. We have had legislation before the Finance Committee which was not acted on, so far as floor action is concerned, and we hope that we can get some changes made that perhaps will be compliance with what you had in mind, Governor.

Certainly there are other problems we have; I don't want to be repetitious because I was not here during a great deal of your testimony. I will read, I know, with a great deal of interest what you have to say because you have been a great leader in this field in accomplishing what we would like to see all the States accomplish and I could commend you for that.

I think your statement that we should measure welfare success by how many people leave welfare, not by how many more are added, is very significant.

Thank you, Governor.

Governor REAGAN. Senator, thank you very much; and, Senator Fannin, you linked medicaid. I would like to point out each time we have been able to remove a person from welfare that is a person who is no longer a welfare or a medicaid recipient. One of our problems is that no matter how, in the working poor, the grant might shrink, that person technically still retains eligibility for medicaid.

If I could volunteer, one of the regulations that impedes. There is a regulation, for example, that a woman divorced with children remarries—now, technically under the regulations even if she remarries the president of the bank, unless he legally adopts her children and in most instances of divorce this is not done because there is a living product—this woman and her children remain eligible for medicaid because he is not the legal father of her children and even if she has a child subsequently by her new husband, that child's birth can be paid for by medicaid.

Senator FANNIN. Well, Governor, I realize that is what we have

to contend with. There was an article in the Wall Street Journal and no doubt you read it, "Welfare—Separating Myth From Fact." Did you read that article?

Governor REAGAN. No, sir.

Senator FANNIN. It brings out that those with no more impairment than the need for eyeglasses qualified the family for cash, food stamps and medicare under the welfare program, so it is quite a revealing article. Perhaps you would be interested in it. It is the January 27 edition of the Wall Street Journal.

Thank you very much.

(The article referred to follows:)

[From the Wall Street Journal, Jan. 27, 1972]

WELFARE: SEPARATING MYTH AND FACT

(By Richard A. Snyder)

The Department of Health, Education and Welfare, apparently stung by taxpayer criticism of ever-more-costly welfare programs, has published a booklet in its own defense. Like any piece of propaganda, it may tell us something about its creator. It certainly doesn't contribute much clarity to the confusion surrounding welfare and its dilemmas.

The booklet, "Welfare Myths vs. Facts," has been widely circulated by the department and has served as the basis for a number of newspaper articles. It purports to explode "popular misconceptions" about welfare and welfare recipients.

Such misconceptions "not only malign the victims of poverty but the social workers who labor with dedication to make the present inadequate welfare system work," says John D. Twiname, HEW's Social and Rehabilitation Service administrator, in the pamphlet.

While conceding that the current system is indeed inadequate (and putting in a plug for the Nixon welfare reform legislation), the booklet nonetheless argues that the present system is being unfairly criticized by those who suggest, for example, that many welfare recipients are lazy or unethical.

Or, as the HEW frames the proposition:

"Myth: The welfare rolls are full of able-bodied loafers!"

"Fact: Less than 1% of welfare recipients are able-bodied unemployed males."

ARE STATISTICS ACCURATE?

Even if that statistic is accurate it is deceptive, for it implies that finding jobs for these men would have a negligible effect on welfare. The fact is that there is an average 3.7 persons per family on relief, which means that this percentage, rather than 1%, would move off the rolls if the breadwinner went to work.

But is the figure accurate? Or has HEW been too generous in interpreting who is "able-bodied"? For example, it recently came to light that the Pennsylvania Department of Public Welfare had entered into a formal plan with HEW's regional office in Philadelphia to permit any physical impairment of either parent—however trivial—to qualify the family for Federal and State funds under the Federal work incentive program. Those with no more impairment than the need for eyeglasses qualify the family for cash, food stamps and free medical aid.

Emphasis on males alone is also misleading. It ignores the mothers, a huge and largely untapped work force. As Blanche Bernstein of the New York School for Social Research in New York City has pointed out, about 25% of the welfare mothers in New York City, for example, have at least a high school education, making them eligible for many jobs advertised. Half of all mothers have only one or two children, making daycare arrangements feasible.

As part of its denial that many welfare recipients are employable, HEW makes the point that mothers and children get most of the money spent for welfare.

This is true in the sense that Mother cashes the check. However, the indirect but actual beneficiary is more often the absent father. If he leaves his family and lives alone he can spend all his wages on himself, a comfortable equivalent of bachelorhood. If he lives with a woman who is not his wife, he is similarly favored in an economic sense, especially if she is on welfare or employed and their

incomes are merged. If he makes clanstine visits to his own home, his paycheck and his wife's welfare check in combination give the outwardly separated family a double income.

There are cases, of course, where the mother is widowed, or the father is ill, imprisoned or otherwise incapacitated. But these do not explain why deserted families on welfare increased from 12,000 to 80,000 in New York City within seven years. Responsible sociological opinion, typified by Nathan Glazer of Harvard, points out that there is a cash incentive to break up the family, or not to form it. For example, the unwed mother on welfare and the putative father on wages would lose her income if they marry.

For years welfare apologists prefaced any discussion of relief with references to the "aged, blind and disabled," which made any criticism of welfare seem hard-hearted. Now that these have become a bare quarter of the whole cost, the stress has been on children and mothers, with discrete avoidance of the men whose escape brought about the situation.

Another straw man from the HEW booklet:

"Myth: Give them more money and they'll spend it on drink and big cars."

"Fact: Most welfare families report (in an HEW survey) that if they received any extra money it would go for essentials."

One can hardly imagine a recipient testifying otherwise, at least in any inquiry conducted by the department. Other random surveys, however, have disclosed push-button telephones, stereos, new and expensive furniture in homes receiving public assistance, and other luxuries purchased with public assistance grants. Credit is often readily available to public assistance recipients because merchants have confidence in the flow of funds.

HEW has special difficulty in encouraging good judgment in spending because the current thrust in welfare is to separate the computing of eligibility from the rendering of social services, such as advice on budgeting, family management, child care, homemaking and employment. It is a tenent that the recipient should not be submitted to the "indignity" of having such advice thrust upon him.

"Myth: Once on welfare, always on welfare."

"Fact: The average welfare family has been on the rolls for 23 months. . . . The number of long-term cases is relatively small."

The department's own figures don't wholly confirm its position. By its charts, more than a third of those on welfare have been there three years or more. HEW personnel admit, moreover, that this does not take into account "repeaters" who have been on for varying periods previously.

In fact, "on-again, off-again" welfare is the case with many recipients, as local administrators acknowledge. For these families, welfare becomes the quickest port of call in any emergency. The easy availability diminishes the likelihood that the recipient will be resourceful, take part-time or overtime work to bridge the gap, or solicit help from relatives.

UNTO THE THIRD GENERATION

The most familiar situation in which welfare has become a way of life is the young unwed mother and her child. And when the child in turn becomes an adolescent and becomes pregnant, a third welfare generation has begun.

According to HEW's pamphlet, 32% of the more than 7 million children in welfare families were born out of wedlock, and these demonstrably constitute much of the caseload that is either on relief on a long-term basis or at recurring intervals.

HEW puts the average length of time a family is on welfare at 23 months, but information in the files of Chairman Wilbur Mills' House Ways and Means Committee establishes the figure at 42 months; this figure would be even greater if welfare rolls weren't growing so fast.

There is an astonishing lack of data in HEW with respect to how long the closed cases had been on welfare (the Department says no studies have ever been made in this area), and data on this group is needed for an accurate index. Any figure based on those on relief at any given point in time also obviously doesn't include the prospective remaining period each case will be on the rolls, nor does it include any period present recipients may have been on the rolls prior to that point in time.

A more immediate question involves the 14.5 million on welfare: To what extent are their incomes accurately measured?

Dr. Bernstein and others have pointed out that figures on poverty and low incomes aren't reliable. Many families are prone to report net rather than gross figures and to be inexact about part-time earnings and teenagers' income. Or

the wife is frequently the source of information about her husband's income but is ill-informed about it. In other words, many families commendably have income from assorted sources, which brings them slightly above the poverty line, although the statistics provided show they are below it.

This also serves to explain in part why many in rural and small-town America would be shocked to be told that they are in poverty. They live frugally but to their own satisfaction on limited resources, or sometimes on help from kin. Census figures are thrown out of kilter by the Amish farmers, for example, who would classify as underprivileged if measured by the absence of radios, TV's or cars, but who manage to earn sufficient income to buy expensive farms for their sons.

Bismarck is reputed to have said that people are happiest if they know little about how their laws and sausages are made. He might have included welfare administration. What is everyone's business has become no one's business except the social scientists, and they haven't given satisfying answers.

BURGEONING DEMANDS

Legislators, at the state level particularly, are becoming frustrated by the burgeoning demands of welfare, which drain educational and other parts of the state budget. And they bear the lament of taxpayers who feel the pinch of welfare and other costs. States, responding to grass-root pressure, cut back on grants. HEW, with its pamphlets, seeks to justify its system.

Welfare is an enormously complex issue, and one that tends to arouse strong emotions in all concerned—from the needy recipient to the taxpayer who foots the bill. Any progress toward a solution of what society can and should do to care for its destitute—a solution that has evaded man since the beginning of history—will be made only through cool rationality.

It is natural that HEW react defensively to criticism and state its case positively. It would be unrealistic to expect it to quote Edward C. Banfield of Harvard, for example, to the effect that current welfare policies encourage idleness, dishonesty and reduced production.

The public has, however, a right to accuracy and objectivity, and HEW propaganda broadsides such as "Welfare Myths vs. Facts" are no help at all.

(Mr. Snyder, a Lancaster, Pa., attorney, is a ranking minority member of the Pennsylvania Senate's Public Health and Welfare Committee.)

The CHAIRMAN. Mr. Byrd?

Senator BYRD. Thank you, Mr. Chairman.

Governor, as I understand it, there are two areas of H.R. 1 in which you are in fundamental disagreement: one is the family assistance plan and the second is the federalization of the program; am I correct?

Governor REAGAN. Yes, sir.

Senator BYRD. Secretary Richardson, when he testified before this committee in his official statement described this program in three words: "revolutionary and expensive."

Would you be inclined to agree with that?

Governor REAGAN. Yes, sir.

Senator BYRD. Now, Governor, you mentioned a little while ago that HEW will not permit demonstration projects. Could you comment a little bit more on that?

Governor REAGAN. Well, on a statewide basis?

Senator BYRD. On a statewide basis, yes sir.

Governor REAGAN. As a matter of fact, one of the debates that we have been having for some time in securing the waiver for our own demonstration projects is the size of it, the number of counties and the number, the percentage of the welfare recipients who are involved in those counties; and HEW would like to have it smaller.

Now, they believe, and I am sure, sincerely, that congressional intent is such that they would be in opposition to the law if they allowed a statewide project or even one of the size that we originally requested. You know, it was not totally the State, and this, again, we would like

to see changed so that we could have these demonstration projects and have them statewide and allow a State to be compared with other States where it is not being done.

Senator BYRD. H.R. 1 as now drawn would not permit the statewide demonstration projects?

Governor REAGAN. I don't believe that is covered.

Mr. CARLESON. Well, Senator, I don't believe it does. This is an interpretation of HEW that they believe that their authority under section 1115 would not permit them to approve a waiver for a demonstration project for an entire State. This is not explicit in the law. However, it is interpreted that way by HEW. I know of nothing in H.R. 1 that would change the present situation.

Senator BYRD. Thank you.

Now, Senator Ribicoff brought out there are 168 different poverty programs costing $31 billion and he has had wide experience in this field and feels that $11 billion could be saved on the lower priority rung of that 168-foot ladder.

Do you, as the Governor of the largest State in the Union, and as one who has devoted so much time to this problem, do you feel it is realistic, if the States were permitted to have greater control over these programs that we could probably save $11 billion out of that $31 billion?

Governor REAGAN. Well, I have never made any actual study because, as I say, we can't ourselves find out all that has been going on; but in view of what we have done already and what I have seen, I certainly would not quarrel with that figure. I would like a crack at trying.

Senator BYRD. Let me ask you this: Do you have difficulty getting information from HEW or replies to your inquiries to HEW?

Governor REAGAN. I don't think we have. It is just that I don't think they know much more than we do about it. Some of them have gone into community projects, as I say, a group can form in a community and come up with a project; they get it and it bypasses the State.

Senator BYRD. I notice on your addendum No. 2—incidentally, Mr. Chairman, I would like to ask at the conclusion of my remarks that the text of addendum No. 2 be published in the record.

Senator ANDERSON (presiding). Without objection, that will be done.

Senator BYRD. Governor, you state that welfare reform can best be accomplished within the present structure of shared Federal-State responsibilities?

Governor REAGAN. Yes, sir.

Senator BYRD. Then you say that federalization of the payments programs will mean the creation of a greatly enlarged Federal bureaucracy.

It has been estimated that it will take 80,000 new Federal employees. I assume that you would not look with too much favor on that?

Governor REAGAN. No, sir and I don't believe they are necessary.

Senator BYRD. I agree with you.

I am quoting again from your addendum No. 2:

In addition to creating a massive Federal bureaucracy, H.R. 1 forces States like California that have attempted to administer equitably welfare programs to turn their programs and their money over to the Federal Government.

The Federal Government is practicing fiscal blackmail to require the States to relinquish their responsibilities and their control.

I like the language you used, Governor. [Laughter.]

Senator BYRD. Now, on the next page you discuss the guaranteed welfare income. I have been asking this question in the Senate. I guess I have asked it two or three dozen times over the last 2 or 3 years but maybe you could answer it for me.

I have not gotten any answers from my colleagues in the Senate. As we know, this program doubles the number of people on welfare.

My question is this: How do we reverse the trend to the welfare state by doubling the number of people on welfare?

Governor REAGAN. Senator, I don't have the answer to that. I just know that once a person starts getting a check from the Government it is very hard to break him of the habit.

Senator BYRD. On another page of your statement: "In the words of," and I am quoting you, " in the words of Daniel P. Moynihan, the bill provides a minimum income to every family" and then you quote Dr. Moynihan, "provides a minimum income to every family 'united or not, working or not, deserving or not'."

I had not seen that quotation from Dr. Moynihan. I think it is a very significant one. In other words, H.R. 1, as I understand it, and am I correct about this, according to Dr. Moynihan, provides a minimum income to every family "united or not, working or not, deserving or not"?

Governor REAGAN. Yes, sir.

Senator BYRD. I think you rendered a service in bringing out that quotation, at least I find it extremely interesting and since the tax funds from hard working wage earners will go to paying people working or not, deserving or not, maybe the taxpayers also would be interested in that quotation.

Now, on another page you say that,

> The bill would to all intents and purposes federalize the administration of welfare manpower training and employment programs and thus further reduce the role of the States.

Certainly it seems to me you are correct in that statement, Governor, and what amazes me is that so many Governors have come up here and asked the committee to further reduce the roles of their own States.

Governor REAGAN. Yes, sir; I discussed this with Governor friends of mine among the ranks, and I have to say some of them have just simply become so discouraged and the problem is so great and bankruptcy theatens their own States that some of them have thrown up their own hands. They know what they are asking is wrong but they have thrown up their hands and said, "Take it off our backs." I don't believe in that.

Senator BYRD. The Governor of Massachusetts, Republican Governor of Massachusetts, who was before the committee last week, and was asking that the Federal Government spend $10 billion more for welfare and the distinguished Senator from Nebraska, Mr. Curtis, asked the Governor "Well, now, Governor, where do we get this $10 billion? Do you recommend that we increase income taxes, or do you recommend that we further go into deficit financing," and we now have—for this year—a balance of $45 billion in defict financing, "and you recommend we increase income taxes or add the $10 billion to the deficit?"

And he said, "Just add it to the deficit."

So the thinking of the many people these days seems to be that we can spend all of this money but nobody has to pay for it.

I don't agree with that philosophy and I feel sure the Governor of California does not?

Governor REAGAN. No, Senator, in the profession I used to be in, we used stage money many times in pictures and we on the set used to refer to it as "if" money; and I have an idea that very shortly if I went back to that profession we wouldn't bother to print up the "if" money; we would just use the real thing. [Laughter.]

Senator BYRD. On the last page of addendum No. 2 you say: "In my welfare legislation the Secretary's discretion should be limited and made as clear as possible."

I think that is extremely important. My impression is that the Secretary of HEW and other Secretaries, for that matter, but we are now speaking of this particular Department, have taken unto themselves too much discretion. I think Congress has an obligation to write these laws in such a way that these administrators cannot interpret the laws to an unreasonable degree; and my impression is, and I would be interested in your view, whether in many cases many administrators in Washington are intepreting the laws in an unreasonable way. Have you had experience along that line?

Governor REAGAN. Senator, yes, we have. As a matter of fact, the further you get into the echelons in dealing with some of these programs, the more you are aware that there is a different note taken in talking to us and a different note sounded than there is sometimes here in Washington; and this is the purpose of the 23 amendments that we were presumptuous enough to suggest; it is to do exactly this, to have Congress spell it out so that when we were in these discussions we were not constantly snowed under by the declarations that we were up against a congressional intent, and it was an interpretation of congressional intent and, as I say, we have discovered that we think some of the regulations have distorted congressional intent.

Senator BYRD. I think Congress has an obligation to do just what you suggest there; it has been my impression that Congress in recent years has been giving away too much authority. We have not been willing to take the time and make the effort to write the laws in a way that will require these administrators to follow the intent of the Congress.

Governor Reagan, I think that your testimony is tremendously helpful. My impression over the last few years has been that you have done more work on this question of welfare than any other Governor of the 50 States and this independent Democrat from Virginia is very pleased to associate himself with the former Democrat and now Republican Governor of California in these matters. [Laughter.]

Governor REAGAN. Senator Byrd, thank you very much.

Senator BYRD. Thank you, Mr. Chairman.

(Addendum 2 to Governor Reagan's prepared statement follows:)

ADDENDUM No. 2

The following provisions are those major provisions in H.R. 1 which are opposed by California. Included in this package are suggestions for amendment. There are other less significant provisions which may also be opposed to by California but which have not been included in this analysis.

OPPOSE

FEATURE	POSITION AND AMENDMENTS
1. Federalization Under the present system the Federal Government reimburses State for a percentage of the cost of aid payments and the cost of administering such payments. States are assured of this federal financial participation so long as they meet the stuatory requirements of the public assistance statutes. Under H.R. 1, the State/Federal balance would be destroyed, and there would be no federal financial reimbursement to States for any public assistance payments. Instead, the Federal Government would directly administer federal benefit programs to families, and to aged, blind, and disabled persons. The Federal Government would pay the total cost of such programs including costs of administration.	Welfare reform can best be accomplished within the present structure of shared Federal/State responsibilities. Federalization of the payments programs will mean the creation of a greatly enlarged federal bureaucracy, inherently less able to meet the needs of the people than the current State/Federal partnership. The difficulty in administering the present welfare system at the state level is due in large part to complex and contradictory federal regulations and to the constant "reinterpretation" of those regulations by HEW staff members, but at least now there is a check-and-balance system resulting from the fiscal sharing of states with the Federal Government, and in California of county sharing as well. This sharing of fiscal responsibility and its implicit sharing of programs responsibility has been the deciding incentive to welfare reform in California. States, such as California, would be virtually required to make supplemental aid payments, but would face greatly increased costs unless they agree to federal administration of the State's program. Specifically: (*a*) The bill provides that State or local assistance regularly received by persons covered by the federal benefit programs would be considered as "income" in computing the federal benefit *unless* such assistance is provided under an agreement with HEW. In addition to creating a massive federal bureaucracy, H.R. 1 forces states like California, that have attempted to administer equitable welfare programs, to turn their programs and their money over to the Federal Government. While there is a "technical" choice as to whether or not a given state manages its own supplemental program, realistically there is *no* choice, since self-management will cause greatly increased costs to any state. The Federal Government is practicing fiscal blackmail to require the states to relinquish their responsibilities and their control. A system conceived in such deceit cannot be in the interests of the people—either taxpayers or recipients.

(*b*) If a State elects to administer its State supplemental programs, it would *not* be covered by the "hold-harmless" provisions of the bill designed to protect States against future increase in welfare costs.

(*c*) Under amendments to the current law which would be effective upon enactment of H.R. 1, the Secretary of HEW could:

Require retroactive payments from the State to recipients affected by the State's failure to make payments in accord with federal dictates.

Prescribe administrative methods for correcting a State's noncompliance with federal requirements.

Request U.S. Attorney General to bring suit against the State to force compliance in addition to or instead of withholding federal reimbursement.

(*d*) The bill contains a virtual mandate on States with present levels above the new federal benefit levels to maintain present payment levels plus the bonus value of food stamps.

Proposal 1. State option for administration.

Proposal 9. Federal fiscal incentive for efficient operation.

2. Guaranteed Welfare Income

The bill creates a national welfare system with guaranteed income. It assures that every family with income below a certain amount will receive government payment sufficient to bring its income up to that amount.

It is commonly understood that a government guaranteed income, not based upon individual productivity, is a giant step toward a welfare state, with its inherent loss of individual identity and pride. Some argue this is not a "guaranteed income" because employable family members must cooperate with work and training requirements. This argument is fallacious, since family income would be reduced only by the uncooperative member's share. In the words of Daniel P. Moynihan, the bill provides a minimum income to every family "united or not, working or not, deserving or not". There should be a minimum national standard to support those unable to take care of themselves, but not a government-guaranteed income to all families.

3. Income and Property Disregards

Employed families would be allowed to deduct from their annual earnings at least the first $720, "reasonable" costs of child care, and ⅓ of the balance of earnings, before the amount of the welfare benefit is determined.

Aged, blind, or disabled individuals or families could have up to $1.500 in cash or other liquid assets to meet emergencies and still be eligible to receive benefits.

The bill provides that the value of a home "as deemed reasonable by the Secretary" is to be excluded in determining countable resources subject to the statutory limit.

4. Inadequate Work Program & Sanctions

The bill would to all intents and purposes federalize the administration of welfare manpower training and employment programs and thus further reduce the role of the States. Even more importantly the manpower programs which make up the Opportunities for Families' Program are in the last analysis little more than a continuation of the WIN-type activities which, after almost five years, have proven to be ineffective in relation to its cost.

Proposal 2. Relief to low income families.

This feature continues the inequities of the present system in which welfare families can earn over $1000 gross income in California and still receive the same welfare payment as the family with no income. A limit on gross income should be set above which a family would not be eligible for welfare.

This limit is too high and should be set at a figure more consistent with emergency needs, taking into account the availability of free medical and other services. Consideration should be given to the method we have proposed in California under which recipients with special needs are required to "spend down" a proportion of their allowable emergency resources before any allowance for special needs is made.

It would be desirable to give the Secretary discretion to recognize regional differences in property values. However, we believe that Congress should establish some limits on the Secretary's discretion in order to prevent legal and political pressure to establish unreasonably high limits.

Proposal 3. Overall limit for AFDC family income.

Proposal 4. 30 and ⅓ disregard in AFDC.

Proposal 5. Work-related expenses.

These provisions should be revised to require the recipient to actively seek realistic job opportunities, especially through the private sector. In addition, provisions should be added under which employable recipients who are not in work or training would be referred to public agencies for the performance of public service activities with no additional remuneration other than their welfare benefits. California has by action of the Legislature created such a program and we are currently negotiating with HEW for a demonstration project that would allow us to implement this program.

If an employable family member fails to register for work or refuses to take work or training, the only penalty the bill provides is his removal from the grant.

Since aid in only a slightly reduced amount would be continued for the family, we believe that this is a weak and ineffective sanction against those who would abuse the system. The bill should provide a range of sanctions including the ultimate sanction of the denial of aid to the entire family for a period of up to one year.

Proposal 6. Community work program.

Proposal 7. Employables program.

Proposal 8. Sanctions imposed for refusal to work or train.

5. Social Services Pressure

H.R. 1 defines the social services program in almost exactly the same terms as present law, but at the same time imposes a ceiling of federal expenditures for state service programs.

The service implication of the Act is that all services enumerated should be made available. In California, which has a comprehensive services program based upon federal guidelines, the practical effect of H.R. 1 will be to force continuation of an overabundant set of services even if federal money is not available to help pay the bill.

Proposal 15. Modification of statewideness requirement of social services.

6. Secretarial Discretion

H.R. 1 gives broad discretionary powers to the Secretary of HEW to establish policies governing the federal benefit system and, therefore, the supplemental programs of the states.

The Secretary of HEW is subject to many pressures from groups of recipients and others who benefit from the welfare system. In any welfare legislation the Secretary's discretion should be as limited and clear as possible. Limitless discretion, particularly when it can severely affect state budgeting, will result in continuation of the present "leap frogging" of benefits as the Secretary, influenced strongly by his firmly entrenched and bureaucratic staff tries to satisfy one pressure group after another.

The CHAIRMAN. Senator Hansen?

Senator HANSEN. Thank you, Mr. Chairman.

I don't suspect there is very much new to be added, but just for the record, Governor Reagan, let me note that despite what some of your detractors, and they are not many, tried to say about you, I would like to read just from your report here, where you say:

> Our task force findings have led to the conclusion that the basic, original structure of the welfare system was sound. It was based on a concept of aid to the needy aged, the blind and disabled and children deprived of parental support. Able-bodied adults were expected to support themselves, their children and their aged parents to the extent of their capabilities.

I guess those in the opinion of some would be revolutionary ideas these days. They are not for me. I think they are great.

Then I would like also to note, Mr. Chairman, that in implementing some of the ideas that the Governor of our largest State has found to be worthwhile, and which are, I am sure, supported by a majority of Americans everywhere, you have been able to do a better job in the State of California than would otherwise be the case.

You point out that an AFDC family of four, receiving $221 last spring now receives $280 a month. In other words, you are doing something about those people in real need to help them combat the corrosive factors and influences of inflation.

I note also that a cost-of-living increase was granted in December to the aged, the blind, and disabled.

I point these things out because I agree with Governor Reagan; I think most of the members of this committee agree with Governor Reagan, that there should be no argument at all about helping the aged, the blind, and the disabled. We all want to do that and, as he suggested, let's remove them—I think you implied this, at least, Governor—let's remove them from the welfare rolls. I don't think they need to be there. I know the chairman of this committee doesn't think they need to be there. I think they could be better cared for in another category.

I pointed that out because it is popular these days to say to those who point to abuses, who point to lawlessness or illegal means by which people get on welfare, to say, "Well, this represents a very small percentage of the total welfare recipients." In the opinions of some, it may be as low as 1 percent.

But I say if we take off these categories to which you have alluded and if we identify the fathers of the AFDC children, as well, which is a difficult job now to do according to the interpretations of HEW, we would come up with some pretty important figures that would demonstrate, I am convinced, that there could be a far less drain from the average taxpayer's budget for welfare than is now the case.

I remember a year ago when you testified you had Republican and Democratic Governors around you. I heard expressions from both sides saying that of all the 50 Governors, in their opinion, none knew as much, none understood the problems as well as you do; and I wish that HEW officials had your comprehension of the problem and had your wisdom and your willingness to explore ways in which the burden could be made less.

But, unfortunately, that has not been the case.

When they started out talking about welfare reform, I get the impression that they agreed upon three main principles: (1) no one

receiving any help from welfare should have his benefits reduced from what they were at the time of the change. That assumes that everything is all right. "We are going to be sure no one needs to be worried or suffering any anxiety about this because all of you on welfare are going to be able to stay on there."

Second, they came out with this idea of a guaranteed minimum income of $2,400 a year. As Len Jordan from Idaho says, anyone who has played poker knows that is only openers; it is going to go right up from there; it won't stop at $2,400.

Then, also—and I suspect the longer you are around the Potomac River the more imbued you become with the greatness of Federal bureaucracy—there are those who say also "We need a Federal takeover of the program because the States don't implement it fairly."

Well, I don't know of anybody who knows what the needs of its people are better than those who live among them and I am one who believes very strongly in the wisdom of leaving the control in the hands of State administrators because I am impressed by what I have heard here this morning.

You know, Senator Ribicoff, for whom I have the highest regard, has spoken about the 168 different programs that benefit the poor. For those who have access to this hearing record, I am referring to hearings before this committee on H.R. 1, July 27–29, August 2 and 3, 1971, and on page 195 are listed a lot of programs that I suppose included those, am I right, Senator Ribicoff, is this the group?

Senator RIBICOFF. Yes; this is the list, sir.

Senator HANSEN. Yes; thank you. It can be argued, I suppose, everything we do in this country, someone can say, this ought to help the poor, I think that if you want to generalize enough you can contend for any program.

But let me tell you what some of these programs are: They are social security programs that cost, according to the estimates made at that time, in 1972, 6,783 million. There are some school lunch programs. I note that we have educational opportunities' grants and higher education work study—well, those don't exactly seem to me to be poverty programs; but if you want to generalize enough, I guess they are; they cost $218 million. Vocational education basic grants to States, consumer and homemaking grants for vocational education, total $116 million.

Alcoholic counseling and recovery, comprehensive health services, drug rehabilitation, emergency food and medical services, and family planning collectively in 1972 will—it has been presumed will cost $152 million.

Then, nine different veterans programs are also included in this long list. They cost, according to the estimate then made, $2.67 billion.

I am reminded of the story that is told of what happened on an Indian reservation after the laws of the United States outlawed plural marriages.

The Federal enforcement official came up to the old chief and he said, "Chief, you have got two wives. One; she has got to leave."

And the old chief looked the Federal bureacrat in the eye and he said, "You tell them." [Laughter.]

Senator HANSEN. All I want to say is these 168 programs that we are talking about here, I think, maybe instead of asking HEW what

ones of those they would get rid of, maybe those on the majority side of the aisle ought to be telling HEW because I suspect, I don't disagree with most of them but I suspect most of them were passed by Democrats under Democratic leadership; and I don't think it is quite fair to say that HEW ought to sort out, out of these programs which I believe you used the figure $31 billion. I think that it is really not quite cricket to say, "Now we want HEW to respond."

I share with you the concern that on many points HEW hasn't been responsive and I have deplored that just as much as you do but in this specific area of personal interest to you, I think, like the old Indian chief, we can say, "You tell them," because I really believe a lot of these are programs that came from that side of the aisle.

Now, we had testimony, Governor, here a few days ago, indicating that in one county in Arkansas the county attorney down there was persuaded, on the basis of his service and the efforts he had made, that if he could get the cooperation of HEW and of all other related Federal and State agencies, he could probably reduce the welfare burden in his area simply by making fathers who ought to be supporting their children, fathers who were working, contribute to the support of those children.

I would ask you, do you suspect, without wanting you to venture an opinion insofar as actual numbers are concerned, do you think that the situation that this one prosecuting attorney found true in Arkansas might be true throughout the United States?

Governor REAGAN. Oh, yes, sir. No question about it. I think it is even worse than he probably spoke of in our own State.

Senator HANSEN. Mr. Chairman, I won't take longer. I do want to join with all of those who have spoken earlier in thanking you, Governor Reagan, for your great contribution. I just hope the people of America will be able to discern the difference—I am sure they will—in helping people who need help, in holding true to the original ideas of welfare when it was instituted to help the old and the blind and the disabled and children who had no support.

If we can get back to that concept, and I think you have moved us in that direction, then I think we can indeed accomplish some real welfare reform.

It doesn't seem like welfare reform, to me, to say we are going to keep all of the present mess we have and then double the rolls and hope that everything is going to turn out all right.

Thank you very much.

Governor REAGAN. Thank you.

Senator ANDERSON. Are there any further statements?

Governor REAGAN. Sir, I would just like to ask permission to submit additional figures later for the record, also.

Senator ANDERSON. We will be very glad to have you do it. We thank you very much, Governor, for a very fine presentation—all of us.

Governor REAGAN. Thank you, Senator.

(Additional figures, and the prepared statement and addendums of Governor Reagan follow. Hearing continues on p. 1939.)

FORMULA FOR COMPUTING POTENTIAL EMPLOYABLE AFDC RECIPIENTS

A=Total AFDC.
B=Total AFDC Children.
C=FG Mothers with Children Under 7 (70% of Total FG).

D=FG Mother, unemployable for Other Reasons (24.5% of Mothers Who Do Not Have Children Under 7).

E=Unemployable U Fathers.

F=FG Mothers with Children Under 7 Who Would Volunteer (Figures based on "Public Welfare in California—June 1971—Table 3b").

Potential Employable AFDC Recipients=[A-B]—[C+D+E]+F=[1,526,987—1,084,422]—[266,527+27,985+10,493]+3,808=[442,475] — [305,005] + 3,808 = 137,470+3,808=141,278.*

STATEMENT OF HON. RONALD REAGAN, GOVERNOR OF CALIFORNIA

Mr. Chairman, members of the Committee, I appreciate the opportunity to testify here today—particularly since I have never before had this privilege and honor—and also because I consider the welfare problem the gravest domestic issue our Nation faces.

Two years ago welfare was out of control nationally and California was no exception. At that time HR 16311, and later HR 1, were presented as a solution to the problem. One of its authors responded publicly to critical question by answering that "It's better than sitting on our hands and doing nothing."

I share the President's desire to reform welfare and certainly share his belief that there should be a restoration of the work ethic. However, as you are aware, I have had some very serious reservations about several of the approaches to welfare reform embodied in HR 1.

In August 1970 I presented to this Committee a statement regarding the version of HR 16311 which was pending before your Committee. Many of the provisions of that Bill to which I objected in my statement are in HR 1.

My remarks today will concentrate on 6 areas of major concern I have with HR 1 and with the need for federal action in achieving real welfare reform. I believe that:

1. States are better equipped than the federal government to administer effective welfare reforms if they are given broad authority to utilize administrative and policy discretion.
2. A system of a guaranteed income, whatever it way be called, would not be an effective reform of welfare, but would tend to create an even greater human problem.
3. A limit should be set on the gross income a family can receive and still remain eligible for welfare benefits.
4. For all those who are employable, a requirement be adopted that work in the community be performed as a condition of eligibility for welfare benefits *without additional compensation.*
5. The greatest single problem in welfare today is the breakdown of family responsibility. Strong provision should be made to insure maximum support from responsible absent parents.
6. A simplified system of pensions should be established for the needy aged, blind, and the totally and permanently disabled.

In August of 1970 the size and cost of welfare had grown into a monster which was devouring many of California's programs and was failing to meet the needs of those who, through no fault of their own, have nowhere else to turn but to government for subsistence. We didn't just become aware of this problem in 1970 but our earlier efforts to deal with it weren't too successful; perhaps because we relied on professional welfare experts to propose solutions and all too often they were most familiar with what they were sure they could not do, so the situation became worse instead of better. Finally, to avert a fiscal and human disaster, I asked several members of my administration, who had proven themselves in other state administrative posts, to form a task force and to devote full time for as long as it took to see if and how real reform of welfare could be developed and implemented. They expanded their task force to include experienced attorneys and other management and fiscal experts from the private sector. These men and women served on a volunteer basis for four months reviewing federal laws, state laws, and federal and state regulations. They interviewed over 700 people involved in administering welfare in California at all levels, and developed proposals and ideas for a realistic and humane reform of welfare.

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*This would be the total of employables utilizing the formula based on the Talmadge Amendment to the tax bill 1971. We feel this is a very conservative figure and the total number of employables would be in excess of 150,000.

In early March of 1971, not quite a year ago, we presented the legislature with the most comprehensive proposal for welfare reform ever attempted in California and perhaps the nation. All in all, there were over 70 major points involving administrative, regulatory, and legislative changes.

We had already gone ahead in January with those changes we could make administratively and we continued through the spring and summer until the legislature finally agreed to most of the statutory changes we'd asked for, plus others which were negotiated.

It should be pointed out that we weren't exactly exploring uncharted land. Our task force findings had led to the conclusion that the basic original structure of the welfare system was sound. It was based on a concept of aid to the needy aged, the blind and disabled and to children deprived of parental support. Able-bodied adults were expected to support themselves, their children and their aged parents to the extent of their capabilities. The system was meant to be administered by the states and counties with the federal government sharing the cost.

But we had also learned that, almost from the start, this basic structure had been undermined. Sometimes by federal or state law, but more often by regulations, state and federal. Regulations drawn up by the federal agency administering welfare reflected the philosophy of the permanent employees rather than an interpretation of the law. Thus the original legislative intent was often distorted.

Back in January when we began, there were plenty of experts telling us that no state could reform welfare; that the statutory, regulatory and administrative constraints were too many and too inflexible. Figures now indicate that they were wrong.

According to HEW, national welfare and Medi-caid costs combined increased last year by 27%. In California, we estimate an increase in welfare and Medicaid costs of only 5.9% next year. And that doesn't tell the full story of what has happened and is still happening because of our reforms. We suspect we may be playing it too safe.

For several years up until last April, California's case load increased more than 40,000 persons per month. This held true even when the economy was booming and we had full employment. Our projections were that by this last December we would have added another 319,000 to the rolls. Not only did this not happen, but in December we had 176,000 fewer welfare recipients than we had in March, 1971. In that nine month period we have reduced spending, federal, state and local, by more than $120,000,000 below what it would have been without the reform. Through the December figure increased by a few hundred recipients, it was 60,000 less than the increase in December of 1970, and the lowest December increase in 30 years.

Because of these savings, we have achieved one of our primary goals—we have been able to increase the grants to the truly needy. An AFDC family of four, to cite an example, receiving $221 last spring now receives $280 a month. A cost of living increase was granted in December to the aged, blind and disabled. In the current fiscal year, we will spend $338,000,000 less in federal, state and county funds than would have been necessary without the reform. In our 72-73 budget I mentioned a moment ago, we are asking for $708,000,000 less than would have been required without reform.

Let me stress once again—the important thing is we didn't find any new magic formula. We simply overhauled the present structurally sound welfare system. We insured adequate aid to the aged, the blind, the disabled, and children who are deprived of parental support and reduced aid to the non-needy with realistic work incentives so that funds could be redirected to the truly needy. Our program requires employable recipients to accept work if offered, and that if jobs are not available, to work in the community in order to remain eligible. Absent fathers are now legally indebted to the county for benefits paid to their families with a provision for wage attachments and property liens, if necessary. Fiscal incentives are provided to help counties trace absent fathers.

But maybe most important is the fact that the California plan retains most of the administration and responsibility for an effective and efficient welfare program at the level closest to those who benefit and those who must pay the bill.

Members of our taks force found that with provision for reasonable administrative discretion, combined with fiscal responsibility and discipline, the most effective administrative efforts in California were those carried on in the medium and smaller sized counties. We retained the concept of state supervision and county administration of welfare on a partnership basis.

In spite of our reforms, many of the greatest loopholes which still permit abuse, inhibit effective state action, and which have led to a loss of public confidence, remain in federal law and federal regulations—mainly regulation. We see a fiscal and administrative disaster if the administration of the welfare system is centralized here in Washington as proposed in HR 1. As you've already heard, HEW claims that HR 1 would save California $234,000,000. Actually, it would increase our costs by nearly $100,000,000.

We are presently being challenged in court on nine of our eighty-four changes on the grounds that we are in violation of federal law. Regardless of the outcome, we believe we are not in violation of Congressional intent before it was reinterpreted in regulations.

To get back to the matter of HR 1, I respectfully urge this Committee to eliminate the proposal to provide welfare benefits to intact families with employed fathers. I am not unware of nor insensitive to the plight of the low earner but I believe relief to those families can be provided in the form of Social Security and income tax exemptions. It doesn't seem right to reduce a man's take-home pay with taxes and then send him a government dole which robs him of the feeling of accomplishment and dignity which comes from providing for his family by his own efforts. By the same token, we feel that the able-bodied recipient should be given the maximum opportunity to support his family by doing work in his community which will benefit the community. At the same time it develops and maintains his ability to perform effectively in a regular job when it becomes available. We don't suggest this in any punitive way nor are we advocating useless make-work chores. Not only will the individual benefit from participating in useful work, but those who foot the bill will be more apt to approve if they see community services being performed. If I could anticipate a possible question concerning the usefulness of such a community work force let me just mention one of the many possibilities. The Los Angeles school system reported last week that vandalism was costing that one city alone $50,000,000 a year. Night watchmen might change that.

I was pleased to see that the Talmadge amendment to the tax bill was adopted by Congress and signed into law by the President. Most of the features of the Talmadge amendment parallel very closely the "separation of employables" portion of our California welfare reform program. However, many of the so-called work incentives in the present system, and in HR 1 as passed by the House of Representatives, continue to *insure* aid to the non-needy, and able-bodied adults are not required to work in the community.

We recommend that a realistic and absolute ceiling be placed on the income that a family may have and still be eligible for welfare. The experts tell us on one hand (and I believe them) that all but a few welfare recipients would prefer to work if work or jobs are available. Yet, on the other hand, they tell us that we cannot expect someone to be willing to take a job or go to work if his welfare grant is significantly diminished. These expert opinions obviously are in conflict. I propose a combination of work incentives including a mandatory work requirement and, in the case of a mother-headed family, reasonable child care expenses and a portion of her income could be exempted until she has stabilized her work situation. However, an absolute ceiling on the gross income a family may receive and still be eligible for welfare should be set at 150% of the standard of need. The proposed limitation of work-related expenses contained in HR 1 should be retained.

We believe that the present grant sharing ratio between the state and the federal government should be retained. However, since eligibility of 85% of the caseload is due to an absent father, real fiscal relief can be provided the states by helping them solve this problem. We propose that the federal government adopt a plan similar to California's which would finance the effort to locate absent fathers and enforce compliance with child-support laws. The best source of funds would be to permit the states or counties to retain 100% of the federal share of grants recovered through collections from absent fathers and through efforts of fraud control units.

I support the concept of a simplified system of pensions for the needy aged, blind, and totally and permanently disabled. Sums of money spent on costly and complicated eligibility and grant determination systems for these categories would be better spent in increasing benefits to these people, many of whom have provided adequately for themselves during their productive and working days, but who have found that inflation has wiped out the fruits of their past accomplishments.

The effectiveness of the states' and counties' administration of welfare has come under heavy criticism and attack. Perhaps in a number of instances this may be justified. However, it is almost impossible to hold a state accountable for effective administrative practices and policies under the present straight jacket of federal statutes, court interpretations, regulations, and abuses of administrative discretion. Give the states the broadest authority to administer the system with proper goals and objectives and then hold us accountable for our effectiveness in meeting these goals and objectives. Senator Curtis' approach in S-2037 to severely constrain the power of federal administrators and return authority to the states is definitely going in the right direction.

I am submitting at this time to you a more detailed listing of amendments that we would offer to HR 1 and urge your favorable consideration of them. They are the product of our experience with an actual reform program that is succeeding in California, they are not theory. I believe that we have demonstrated in California that a responsible approach to reform of the present welfare system is possible and that given tools, discretion, and adequate financial assistance, states and counties are in the best position to provide a welfare system patterned to meet the real needs of those in America who, through no fault of their own, have nowhere else to turn but to government.

What California has done—other states can do.

Welfare needs a purpose—to provide for the needy of course—but more than that, to salvage these our fellow citizens, to make them self-sustaining and as quickly as possible, independent of welfare. There has been something terribly wrong with a program that grows ever larger even when prosperity for everyone else is increasing.

We should measure welfare's success by how many people leave welfare, not by how many more are added.

Thank you.

Addendum No. 1 to Testimony by Governor Ronald Reagan Before the Senate Finance Committee February 1, 1972

Proposed federal legislation

The following legislative proposals for the U.S. Congress set forth problems in current federal law and proposed changes as related to public assistance. No attempt has been undertaken in this listing to deal directly or exclusively with those proposals found in HR-1.

The proposals pertain specifically to the following issues:

1. State option for administration.
2. Relief to low-income families.
3. Overall limit for AFDC family income.
4. 30 and ⅓ disregard in AFDC.
5. Work-related expenses.
6. Community work program.
7. Employables program.
8. Sanctions imposed for refusal to work or train.
9. Fiscal incentives for efficient management.
10. Increased federal reimbursement for child support activities.
11. District Attorney costs in enforcing family support.

11a. Recipient's failure to cooperate with law enforcement agencies.

11b. Federal participation in costs of District Attorney welfare fraud investigation and collection.

12. Aliens on welfare.
13. Fair hearings.
14. The 18- to 21-year-old adult.
15. Modification of statewideness requirement of social services.
16. Vendor payments of non-recurring items of special need in AFDC.
17. Simplified eligibility.
18. Denial of AFDC where there is a continuing child-parent relationship with non-related adult.
19. Wage attachment for federal employees.
20. Dependents for military personnel on welfare.
21. Deny aid to strikers.
22. Marital and community property resources.
23. Confidentiality.

STATE OPTION FOR ADMINISTRATION

Objective.—To provide for a free, unimpeded choice by each State as to whether it wishes to provide for administration of public assistance programs by the State, designated local governmental units, or by the Federal government.

Description.—The federal statutes should be amended to provide the state options as to the method of administration desired, *iwthout* variable incentives connected with the choices.

Problem.—Most recent proposals for federal statute changes include strong fiscal incentives—or disincentives—in connection with various options as to which governmental unit should administer the welfare programs. These extraneous influences prevent an objective consideration of which level of government in a particular state can provide the best and most efficient governmental service.

California experience.—California experience with local governmental units indicate that there are a number which are experienced, trained, with good management leadership, which could assume full responsibility for administration and do a better job than either the State or Federal governments. On the other hand some counties may not be well-equipped for the job and should not administer a program which could be better done by State agencies.

RELIEF TO LOW-INCOME FAMILIES

Objective.—To improve the financial status of fully employed low-income families.

Description.—Exempt low-income families from the federal and state income tax (including withholding) and provide them a rebate of their social security taxes, including the employer's contribution thereto.

Problem.—Many fully employed families work for compensation which is insufficient to meet their minimum needs. This becomes more severe as the size of the family increases. Because they are fully employed, they are ineligible for the AFDC programs. Rather than create a new category of welfare recipients; it is proposed that the situation of such low-income families be improved by providing automatic exemptions from state and federal income taxes and an automatic rebate of social security taxes including the employer's contribution thereto. The solution concerning these families is to provide a better return for their efforts through such exemptions and rebates rather than place them on public relief unrelated to their work efforts and productivity.

OVERALL LIMIT ON AFDC FAMILY INCOME

Objective.—Establish reasonable fiscal controls, and limit eligibility to truly needy families according to a standard which can be accepted by the nonwelfare wage earner and taxpayer.

Description.—In determining "eligibility" (as differentiated from "amount of aid paid") apply a gross income limitation of 150% of the state's standard of need. Anyone whose gross income exceeds 150% of the need standard is not eligible and does not need "work incentives." If gross income is less than 150% of need, then the various exemptions and work incentives are applied to determine how much the aid payment should be.

Problem.—Earned income exemptions are available to recipients once they become eligible for welfare. Thus, families already on public assistance end up remaining on welfare, even after the breadwinner secures well-paid employment. This occurs because the first $30 and ⅓ of any additional income plus all work-related expenses are exempted in determining continued welfare eligibility and size of the cash grant allowed. To correct this, an absolute limit should be placed on the amount of gross spendable income a family may have and still remain on public assistance. This limit should be 150% of the "needs standard" as set by state regulations. This will require an amendment to Social Security Act Section 402(a)(8) in order to place a realistic ceiling on the amount of income a recipient may receive and still remain eligible for welfare.

California experience.—In one agricultural California county a survey showed 95 AFDC families with gross earned income ranging from $500 to $1,344 per month, yet continuing eligible for public assistance because of the various income exemptions. A more expanded five-county survey showed 84% of AFDC working families had income ranging from $401—$1,334.41. California has requested a federal demonstration project in order to apply and evaluate the 150% policy, which was incorporated in the California Welfare Reform Act of 1971.

30—ONE-THIRD INCOME IN AFDC

Objective.—To modify the income disregard provision in AFDC.

Description.—Modify the $30 and ⅓ of the income disregard provision to base the computations on net earnings after deductions rather than gross earnings as is now required. Incorporate the $30 into a standardized work related expense.

Problem.—Section 402(a)(8) of the Social Security Act allows the exemption each month of the first $30 and ⅓ of the remaining gross earned income of an AFDC recipient in determining continued welfare eligibility and the amount of the grant. This law has been interpreted by federal regulations as requiring this deduction to be made from "gross" income instead of from "net" income (after deduction of mandatory withhold items, work related and child care expenses). This interpretation is one of the factors in the "high income" welfare cases which keeps people in the caseload long after earnings exceed actual need. Section 402(a)(8) should be amended to expressly require this earned income deduction to be made from "net" income rather than "gross" income.

California experience.—Based on California grant standards utilizing the $30 and ⅓ exemptions from gross income there results a possible continuation on grant status (mother and 3 children) until the gross income exceeds $1,500 per month. This is by no definition a needy family. This interpretation was one of the direct causes of a 7-county suit challenging state welfare regulations last year. In common with other states, California has no administrative discretion with respect to the application of AFDC earnings exemptions without risking the withdrawal of federal financial participation in California's AFDC program. We find it impossible to defend to irate taxpayers a computational system which awards grants at these income levels.

WORK-RELATED EXPENSES

Objective.—Establish a reasonable fiscal control and simplify administrative processes.

Description.—Provide a flat standard allowance of $50 to cover reasonable costs of employment, plus reasonable and necessary standard amounts for child care where applicable. Such allowances would be automatically allowed for earned income recipients.

Problem.—Social Security Act, Section 402(a)(7) and federal regulations allow an AFDC recipient to deduct hundreds of dollars of work-related expenses from gross income in determining eligibility for public assistance. A policy of allowing all alleged costs of employment on an "as paid" basis requires an inordinate amount of administrative time and excessive paperwork and, often, extensive verification procedures. In addition, these extra "exemptions" on top of the $30 and ⅓ incentives already provided. Thus, the large amounts provided on an "open ended' basis contribute to the number of very high income cases that also receive a public assistance grant. Federal law should provide a reasonable standard allowance for this type of deduction, plus an allowance for child care.

California experience.—In the Welfare Reform Act of 1971 California established a flat standard allowance of $50 to cover reasonable costs of employment. In addition, there was a provision to cover reasonable and necessary amounts for child care. This standard was implemented for a short period. It has been challenged in the courts and temporarily enjoined as being in violation of the Federal law. The injunction was issued on the basis that Federal law did not allow a standard for work-related expenses.

During the period that it was in effect, the standard significantly simplified the administration of eligibility and grant calculation.

COMMUNITY WORK PROGRAMS

Objective.—To establish a community work requirement for those recipients who are not working full time or participating in a work or training program.

Description.—To require employable AFDC recipients not working full time or participating in a work or training program, to work in essential community improvement projects as a condition of receiving welfare; thus offering the recipient an opportunity to develop a pattern of work experience and a personal work history that may assist him in securing and holding a private or public sector job. Participation will not be required in excess of the amount of the grant. In-kind necessary work expenses shall be provided.

Problem.—Federal regulations have been interpreted as prohibiting federal financial participation in aid payments made to AFC recipients who are required by state law to participate in a community work experience program, unless the program is part of the WIN program or administered under the Economic Opportunity Act. Title IV of the Social Security Act should be amended to expressly require federal financial participation in aid payments to recipients participating in such programs.

California experience.—California, by action of the Legislature, has designed a demonstration community work experience program. President Nixon, in August of 1971 said he wanted to see put into effect the kind of broad-based demonstration project we envisage. We are presently awaiting HEW approval of the details of our request for the project.

EMPLOYABLES PROGRAM

Objective.—To place employable AFDC recipients into self-sustaining employment under a program which combines welfare social services and employment services by distinguishing between employable and unemployable applicants and providing them with extensive job-seeking assistance.

Description.—Provide a single organizational structure under the overall direction of the state employment and manpower agency to resolve the special requirements of employable welfare recipients; maximize communication between welfare and employment services; and provide services required by the Social Security Act, to provide a full range of services stressing job information, placement, development, training and search.

Problem.—This program entails the cooperative effort of several agencies, e.g., the state welfare department, the county welfare departments, and the state employment and manpower department, with the latter agency administering services to certain AFDC recipients with emphasis placed on the furtherance of Section 402(a)(14) and (15) of the Social Security Act. It is difficult to promulgate such programs wtihout securing waivers to the single-state agency requirements. Legislation to ease implementation would prove most valuable and helpful to the furtherance of such programs.

California experience.—Nine months of an active "employables program" has brought about significant results. In Ventura County, California's first "employables" county, approximately 40 percent of the employable recipients registered with the employables unit left the rolls as a result of efforts of the unit.

SANCTIONS IMPOSED FOR REFUSAL TO WORK OR TRAIN

Objective.—To establish clear sanctions for failure without good cause to search for and accept employment or to participate in work and training programs after certification (referral) to WIN.

Description.—Provide for clear, easy-to-administer sanctions for refusal to search for and accept employment or participate in work and training programs after certification to WIN.

Problem.—Federal law fails to provide effective sanctions for employable AFDC recipients who refuse, without good cause, to accept or participate in employment or training programs after certification to WIN. The present sanction which requires a 60-day counseling program without the loss of public assistance benefits for the offending individual, does not effectively dissuade such refusals.

Social Security Act, Sections 402 and 433 should be amended to expand the sanctions so that acceptance and participation in job search, work and training is thereby encouraged. Legislation should provide that a range of sanctions could be imposed by the states including removal from public assistance for a period of up to one year.

California experience.—In light of intensive WIN employment services, the 60-day counseling period does not significantly increase the number of recipients returning to WIN after a sanctionable act. In addition, the 60-day period makes administration of sanctions inefficient, costly and provides an additional opportunity for an unwilling recipient to avoid work and training. Such a recipient may voluntarily return to WIN after 59 days and subsequently refuse training only to start another 60-day period of counseling.

FISCAL INCENTIVES FOR EFFICIENT MANAGEMENT

Objective.—Federal matching formulae providing incentives toward attainment of certain goals, previously limited to assistance or service aspects, should be extended to provide for attaining a goal of simplified and more efficient management.

Description.—Amend existing federal law, and build into any new law which authorizes supplemental assistance programs by states, provision for higher federal reimbursements in relation to decreasing administrative costs caused by demonstrable work simplification and simplified administration.

Problem.—At no time has the federal government established incentives or methods to evaluate management practices, nor to provide federal fiscal incentives for more efficient management and desirable work simplifications.

California experience.—California convinced that a major part of the problem in the growing maze of red tape and bureaucracy, and the faltering delivery systems of assistance and services, is due to lack of attention to basic management techniques and failure to recruit trained management specialists into a field dominated by professionally trained social workers with little understanding or background in management.

Increased federal reimbursement for child support activities

Objective.—To increase local effort and incentive for child support through increased federal reimbursement.

Description.—Too many families are on welfare because of the failure of parents, usually the absent father, to contribute to the support of the children.

Problem.—Where a parent is capable of supporting his children, but refuses to do so, his support obligation should be enforced. The taxpayer should not be forced to make up for the capable parent's unwillingness to provide adequately for his own offspring.

Increased absent parent support activity at the county and state level is necessary. At present, federal law (Section 403(a)(3) of the Social Security Act) allows federal reimbursement of 50% of state costs in establishing paternity of AFDC children, locating absent parents, and collecting support from them (Section 402(a))17), (18), (21), (22). No federal participation is available for "preventive welfare"—where the collection effort removes the family from the welfare rolls or prevents the family from ever needing welfare.

California experience.—In order to increase local collection efforts, California has developed the Support Enforcement Incentive Fund (W&IC Section 15200.1). This fund returns to the counties 75% of the nonfederal collections from absent parents which actually reduce the welfare grant to the families. Since its implementation on October 1, 1971, a number of counties in California are actually showing a profit on their county collection efforts. California's plan will definitely result in increased efforts, but more is necessary.

1. The Federal Government should give the states and counties a bonus to spur collection efforts. A federal support enforcement incentive should be created to allow the state or local jurisdiction to retain money saved by its collection efforts—that is the 50% federal participation in the welfare grants.

2. The Federal Government should ease up participation restrictions on child support activities and accord the same priority as the items listed in Section 402(a)(3)(A).

Obviously, it will never be possible to collect child support from 100% of absent fathers; some may be unemployed, deceased, unknown, or in prison. But certainly, with greatly improved enforcement and financial incentives, the percentage of absent fathers contributing to the support of their own children can be significantly increased and future negligence deterred. Every dollar that is raised through this source reduces the need for more taxes to pay for welfare.

DISTRICT ATTORNEY COSTS IN ENFORCING FAMILY SUPPORT

Objective.—To allow full costs of law enforcement agencies in enforcing family support.

Description.—Amend federal law to clarify the intent of Congress so that the restrictions in federal regulations which limit federal reimbursement of local law enforcement agencies.

Problem.—The Social Security Amendments of 1967 (PL 90-248) included provisions requiring welfare agencies to enter into cooperative arrangements with

courts and law enforcement officials in relation to obtaining public assistance child support. These provisions included authorization for federal financial participation in the costs incurred as a consequence of such cooperative arrangements. Despite the fact that the Statute (402(a)(18) Social Security Act) makes no mention of a required level of operation before federal sharing becomes available, federal regulations (45 CFR 220.61 (f)(4)(v)) limit federal sharing to costs above the level of activity in effect prior to the enactment of the regulation. DHEW based their "maintenance of effort" provision on their reading of congressional intent as expressed in the Ways and Means Committee Report on H.R. 12080, particularly the following:

"The Committee expects that this expenditure of federal funds will result in increased effort to enforce the laws against desertion and nonsupport. The Committee also expects of the Department of Health, Education, and Welfare extreme diligence in working out the implementation of this provision to protect the federal funds and to assure maximum benefit from the money expended."

A similar restriction does not exist if the activity is performed by the welfare agency. There is a need for a clear expression of congressional intent that there will be federal reimbursement for *all* expenditures by the district attorney and other law enforcement agencies in obtaining absent parent child support. Such amendments would be made in Social Security Act Sections 402(a)(17)(A) and 402(a)(18).

RECIPIENT'S FAILURE TO COOPERATE WITH LAW ENFORCEMENT AGENCIES

Objective.—To simplify, and make effective, a procedure to secure child support due from an absent father without applying penalties against the children of a mother unwilling or unable to cooperate with law enforcement officers in locating the absent parent to secure support.

Problem.—Federal legislation is needed to provide for an alternative to remove a recipient of AFDC from the welfare rolls for failure to cooperate with the District Attorney in locating or naming an absent parent.

Solution.—California has provided an alternative means of requiring cooperation. Welfare and Institutions Code Section 11350 makes the grant paid to the family of an absent parent a debt owed to the country by such parent, limited only by his ability to pay at the time of creation of the debt. Because the debt is owed to the county, it may sue in its own name for recovery, and when necessary, subpoena the recipient as a witness to answer such questions.

Recommendation.—The Federal Government should adopt the "debt to the government" concept in all cases where welfare is paid because of a person's failure to support where he is liable for support. To avoid constitutional problems, the amount of the debt should be limited by the ability to pay of the debtor at the time the debt arises.

FEDERAL PARTICIPATION IN COSTS OF DISTRICT ATTORNEY WELFARE FRAUD INVESTIGATION AND COLLECTION

Objective.—To provide greater federal incentives and fiscal support to law enforcement agencies such as the district attorney for prosecuting fraud, recovering funds fraudulantly obtained, and related legal actions in connection with applicants and/or recipients of public assistance.

Problem.—Presently there is no federal matching of funds for district attorney costs incurred in prosecuting welfare fraud and recovering money fraudulantly taken. Prosecution of fraud involves the same steps as recovery of child support intake, law enforcement and collections. The collection activities return federal money and consequently reduce the burden on taxpayers. The real key is preventing the fraud from occurring.

Recommendation

1. The Federal Government should allow reimbursement of state costs of fraud prosecutions in the same priority as the items listed in Section 402(a)(3)(A) of the Social Security Act.

2. A Fraud Prevention Incentive Fund should be established that would return to the counties any federal money collected in fraud prosecutions. The fund should not be based on convictions, but should reflect actual funds collected.

3. The Federal Statutory approach should not be based on convictions but on actual funds lost due to fraud. HEW suggests that fraud exists in only 1% of the cases based on convictions. However an actual case evaluation study done in California during 1970 proved that fraud exists in at least 15% of the cases.

ALIENS ON WELFARE

Objective.—The support of citizens of other countries shall be a fiscal obligation of the federal government.

Description.—The federal government should assume full fiscal responsibility for any welfare payments made to aliens. Federal government controls entry and should finance the welfare benefits granted to aliens. Amendment of the various public assistance programs is needed to produce this result.

Problem.—The control of the entry of aliens into the United States is the responsibility of the U.S. Immigration and Naturalization Service. The states have no effective means of regulating the number of aliens who either legally or illegally gain entry. Because the federal government controls their entry, the federal government should be required to fully finance welfare benefits for any alien who becomes dependent upon public assistance. States should not be required to support citizens of another country, when the state and county governments have no effective voice in determining admission standards. Federal legislation will be required to have the federal government assume full fiscal responsibility for any welfare payments made to aliens who reside in California.

California experience.—Some 107,269 illegal aliens, alone, were apprehended in California during the 1969–70 fiscal year. This accounts for one-third to one-half the national total. Many aliens find they can receive more in one month on public welfare than they can by working for a year in their native country. Also, the intrusion of aliens not on welfare into the labor pool tends to lower the wage scale for farm labor generally and reduces the number of jobs which might normally be available to welfare recipients and others with low incomes. The net result is that many United States citizens, who are potentially self-supporting, must seek welfare aid because they cannot compete for available unskilled employment with aliens.

FAIR HEARINGS

Objective.—To simplify administrative procedures leading to more prompt decisions on legitimate appeals and fair hearings.

Description.—Amend the appropriate sections of the Social Security Act, to provide for an evidentiary hearing by a local welfare agency as a required preliminary to a hearing conducted by the state agency. Include the specific criteria which determines under which circumstances it is proper to continue aid payments pending a decision in an appealed case.

Problem.—Present regulatory provisions lead to gross abuse of the appeal process, and improperly waste exorbitant amounts of federal, state, and county, money being paid to ineligible recipients. Specific Congressional direction, which protects the rights of applicants and recipients yet eliminates the complex procedural problems which prevail, is badly needed. At the present time, a public assistance applicant or recipient may request a full fair hearing by a state referee after the occurrence of any county action with which he disagrees. Many of these problems could be settled without a formal fair hearing at the state level. To correct this situation, it would be necessary to amend the fair hearing requirements in each of the Public Assistance Titles to permit states to meet these requirements through a two-step hearing process the first of which could be less than a full-blown fair hearing but would meet the test of an evidentiary hearing in accordance with the *Goldberg* decision.

California experience.—Legal aid and federally funded poverty lawyers along with California WRO have deliberately jammed the appeal process in California with thousands of requests for fair hearings. The result has been to continue payments to literally thousands of potentially ineligible persons whose cases are tied up in the backlog.

THE 18- TO 21-YEAR-OLD ADULT

Objective.—Limit the AFDC program to legally defined children.

Description.—Provide that in states where adulthood is recognized at the age of 18, such young adults may not be considered dependent children for purposes

of the AFDC program, notwithstanding their relationship to an educational or training program.

Problem.—At the present time federal law *permits* persons between the ages of 18 and 21 to be defined by states as a dependent child for AFDC purposes. Federal law recently granted voting rights to persons 18 years of age and above. States are beginning to recognize this age as the legal age of adulthood, providing the rights, privileges, and responsibilities enjoyed by those persons who, in the past, were 21 years of age and older. The Aid to Families with Dependent Children program is a program for children. The limited resources available for this program should be limited to those persons who have been defined legally as children in order to maximize protection and benefits. If it is found desirable to provide assistance to young adults who wish to receive further education or training, provision of such assistance should be handled through educational and manpower programs where a wide variety of opportunities could be reviewed and utilized, including loans, work training, work education, and other adult oriented programs.

California experience.—The California State Legislature in late 1971 adopted the statute recognizing the age 18 instead of the age 21 as the age of adulthood. Virtually all California statutes including those governing welfare have been changed to read age 18 instead of age 21. Therefore, when this law becomes effective March 4, 1972, persons over the age of 18 will no longer be eligible for AFDC assistance as a dependent child.

MODIFY STATEWIDENESS REQUIREMENTS OF SOCIAL SERVICES

Objective.—Expressly recognize the wide variation within a state as to the needs for social services, and the resources available within communities to meet such needs. To enable better allocation of tax resources, the concept of "statewideness" must be altered to permit greater flexibility in establishing and providing social services in the areas of greatest need.

Description.—Amend the Social Security Act to clearly permit a state to provide social services in such counties, areas, or districts, as the states or counties deem necessary.

Problem.—The statewideness concept has some validity when applied to assistance payments financed by two or three levels of government, and where it is realistically possible to provide uniform statewide application of requirements.

Decreeing a statewide requirement and standards for a variety of services requiring a high degree of education and training, is an exercise in futility because of the great variation in local attitudes, the actual need for the services, the trained personnel, the availability of housing, cultural interests, and all of the same problems which prevent extending adequate health care into every area of a state. Allocation of limited resources to areas of greatest need, or where the most productive use of services would occur, would better serve the taxpayer and recipient alike.

VENDOR PAYMENTS FOR NON-RECURRING ITEMS OF SPECIAL NEED IN AFDC

Objective.—To assure that placement of destroyed or stolen household appliances essential to decent and healthful living can be provided promptly in the most efficient method.

Description.—Amend the Social Security Act to provide appropriate exceptions to the "money payment" principle.

Problem.—Situations often arise when a relatively large one time expenditure is necessary for such essential items as a refrigerator or washing machine. At present because of matching requirements, grant limitations, and the money payment requirement, recipients are almost always forced into a purchase arrangement covering several months at high interest rates.

It would be more efficient and better for the recipient if the money payment principle were waived in these situations and the agency permitted to pay a vendor directly for the full cost, with such cost reported on claims as an assistance payment eligible for federal matching.

California experience.—California has found that requiring the money to be paid directly to the recipient involves extensive accounting and case control procedures, red tape, and unnecessary paper work thereby increasing costs while at the same time causing needless expenditures by the recipient. This could all be avoided through authorizing appropriate exceptions to the money payment requirements.

SIMPLIFIED ELIGIBILITY

Objective.—To achieve reliability of determinations of eligibility and establish more control over that process.

Description.—The requirements in the various titles governing "proper and efficient administration" should be revised so as to make the use of "simplified methods" in determining eligibility optional rather than mandatory with the states.

Problem.—Social Security Act Section 2(a)(5)(A) (old age assistance and medical assistance for the aged); Title 4, Section 402(a)(5)(A) (aid and services to needy families with children and child welfare services; Title 10, Section 1002(a)(5)(A) (Aid to the Blind); and Title 14, Section 1402(a)(5)(A) (aid to the permanently and totally disabled) of the Social Security Act each provide in part that:

"A state plan for (categorical aid stated) must . . . provide such methods of administration . . . as are found by the secretary to be necessary for the proper and efficient operation of the plan. . . ."

The secretary has implemented these sections in part to provide for a declaration process by which the states would be required to accept the statements of applicants or recipients as conclusive in determining eligibility. The potential for mistakes and misrepresentations in such a system is obvious and has been documented in a report recently released by the secretary.

California experience.—A Grand Jury report of one county's experience with this system is replete with incidents revealing the abuses and consequent loss of public confidence and funds as a result of this method. One woman with no children was able to obtain AFDC in five different offices in that county.

DENIAL OF AFDC WHERE THERE IS A CONTINUING CHILD-PARENT RELATIONSHIP WITH NONRELATED ADULT

Objective.—Prevent aid going to a child on the basis of his being deprived of support or care because of the continuing absence of a parent when the child has in fact a continuing parent-child relationship with a non-related adult including a step-parent.

Description.—Permit a state to deny aid to a child where the child is living in a parent-child relationship with a nonrelative adult, e.g., child whose father/mather has deserted and where child is living with his father/mother and his/her unmaried partner (MARS).

Problem.—Section 406 of the Social Security Act currently provides that a child who is deprived of the presence of one parent is a "dependent child" for AFDC purposes; notwithstanding the fact that another person who is not a relative of the child has taken over the role of parent and provides the care and support normally provided by the absent parent or relative. Proposed changes in 406 would provide that when a nonrelated adult assumes the role of parent the child shall not be considered deprived nor a "dependent child" within the federal definition.

WAGE ATTACHMENT FOR FEDERAL EMPLOYEES

Objective.—To allow attachment of wages of federal employees including the military.

Description.—Remove current restrictions in federal law which prevent attachments and garnishments of the wages of federal employees (including the

armed services) to increase the collection of absent parent child support funds and thereby reduce public assistance support.

Problem.—The doctrine of sovereign immunity effectively precludes local government from attachment, garnishment, execution and wage assignment against wages of federal employees, retired federal employees and members of the military. Individuals employed by the federal government are thus provided a shelter not enjoyed by employees of other organizational entities. In California, the problem of collecting child support payments from Federal employees and members of the military is particularly acute because of the many military installations and the large number of federal employees. The nature of the nonsupporting parents' employment should not be a barrier to enforcing his basic moral and legal obligation to support his children. Federal legislation is needed to correct this inequity.

California experience.—Federal employees are exempt from wage attachments even though they are no longer so poorly paid they need such an exemption. In addition to the large military population in California, there are also large numbers of divorced fathers with child support obligations working for the federal government. Again, since their wages are untouchable, there are larger numbers that could be expected who refuse to acknowledge the court order or pay support. They legally cannot be touched now even though we know who and where they are and that their wage is adequate to make ordered payments.

DEPENDENTS OF MILITARY PERSONNEL ON WELFARE

Objective.—Eliminate the inefficient and inappropriate inclusion of families of military personnel among those eligible for public assistance payments.

Description.—Require through appropriate Congressional action that the needs of all bona fide dependents of military personnel are handled through the Department of Defense or other designated federal agency. This would not preclude, if an assistance payment is needed, for the federal agency to contract with a state or local governmental public welfare agency to provide appropriate service and investigate facilities in selected cases.

Problem.—Present federal regulations are so loosely drawn that thousands of dependents of military personnel are eligible for public assistance, forcing state and local tax payers to subsidize what is essentially a federal problem, and imposing unnecessary and duplicative administrative efforts by two or more difficult agencies.

California experience.—California is facing court challenges to its position denying aid to families of service men. Plaintiffs allege, under the Social Security Act, that children of military personnel who are absent from the family are "deprived of parental support" by reason of the "absence from the home" of the father. Thus what was intended as a provision to help families deserted by the principal breadwinner is being subverted because of lack of specificity in the federal requirements.

DENY AID TO STRIKERS

Objective.—To eliminate the use of public assistance as a "strike fund" by unions.

Description.—States should be directed to deny aid to strikers. Any persons subsequently unemployed because of a lock-out by an employer should not be denied aid.

Problem.—In considering the resources available, a labor union includes the funds from public assistance sources. This substantially bolsters the financial ability of the union and its ability to prolong a strike. The effect is to place the public assistance agency on one side of a management labor dispute. We believe this is unsound public policy. It further causes a conflict in that unemployment insurance benefits are not payable to a striker, but public assistance is. Two agencies of government look at the same individual and simultaneously declare him to be employed and unemployed concurrently.

Current federal law is entirely silent on this matter, and as presently interpreted does not preclude a state from having an approved plan which denied aid

to strikers. However, this issue has recently been raised through litigation in a state that does deny aid to strikers.

A clear statement of public policy in this regard is required of the Congress in order to support this principle and avoid litigation. For this reason a new clause should be added to Part A of Title IV, Social Security Act that would require as a condition for plan approval the denial of aid to strikers.

California experience.—The first day of a strike finds an immediate surge in applications for both public assistance and food stamps at the adjacent welfare offices. The strikers have been well briefed by the union staff as to application, how, when, and where to apply; how much to expect, and when. The case loads continue to increase during the strike period until all eligibles are on the public assistance rolls. At the end of the strike, the reverse is not true. Because of income exemptions, work expense deductions, etc., many of the lower income persons remain on the welfare rolls indefinitely.

MARITAL AND COMMUNITY PROPERTY RESOURCES

Objective.—Denial of AFDC Where There are Sufficient Resources to Meet the Needs of Recipients Due to the Income of a Non-Adoptive Stepparent. Require a stepparent to be responsible for the support of all the children in his marital community.

Description.—Allow a state to consider the income of a non-adoptive stepparent in determining eligibility for and the amount of grants of AFDC to the non-adopted stepchildren.

Problem.—Current federal regulations provide that a state, in determining eligibility and the amount of the grant, may consider only the income of the child's *natural or adoptive parent* absent *actual proven contributions* by a stepparent (except stepparents' income may be considered in states where stepparents have a general legal obligation to support their non-adopted stepchildren); not withstanding the reality that, in a family which includes a stepparent, *all* the income of adult family members is generally used to support *all* the family members.

Proposed changes would provide:

(*a*) that in family groups living together, income of the spouse is considered available for his spouse. Since federal regulations require that income of a natural parent be considered available to children, 54 CFR Sec. 233.90(a), it would follow that the income of a spouse would be considered available to all the family's children for eligibility and grant determination.

(*b*) that, where natural parents have vested interest in the [right to manage and control of] income of their spouses, that portion vested in [under the management and control of] the natural parent could be considered available to that parent's children for eligibility and grant determination.

CONFIDENTIALITY

Objective—Broaden availability of public assistance records to other public agencies for any legislative public purpose.

Description.—Legislation is needed to provide that such records are available to all public authorities for any legitimate public purpose, and to eliminate impediments to cross-checking with state and federal tax authorities. To accomplish this Social Security Act Sections 2(a)(7), 402(a)(9), 1402(a)(9), and 1602(a)(7) would have to be amended.

Problem.—The current federal law on confidentiality, by restricting the use or disclosure of information concerning applicants and recipients only to purposes directly connected with the administration of public assistance impedes proper control and safeguards in the administration of public assistance.

California experience.—This has resulted in recipients receiving aid in more than one county at a single time and in more than one state at the same time. Further, the inability to cross-check with the Internal Revenue Service has prohibited a realistic check of the income earned by welfare recipients.

Addendum No. 2 is printed previously on p. 1914

ADDENDUM NO. 3—TESTIMONY BY GOVERNOR RONALD REAGAN BEFORE THE SENATE FINANCE COMMITTEE FEBRUARY 1, 1972

H.R. 1 ANALYSIS—SUPPORT

The following provisions are those major provisions in H.R. 1 which are supported by California. Included in this package are suggestions for amendment. There are other less significant provisions which may also be supported by California but which have not been included in this analysis.

Support (with amendments as noted)

FEATURE AND POSITION	AMENDMENTS
1. Work requirements in family programs We support the general thrust of the provisions in this bill which would require all employable persons to register for work and to accept work or training. At the same time we welcome recent enactment of (Talmadge Amendments) Public Law 92-223. The work requirements in HR 1 should be amended in accordance with this new law. Additional amendments will be necessary to put teeth into the work requirement.	Proposal 6. Community work program. Proposal 7. Employables program. Proposal 8. Sanctions imposed for refusal to work or train.
2. Quarterly accounting system in the family We support the provisions under which a quarterly accounting system would be used for determining benefits, taking into account estimated income for the current quarter and actual income for the three preceeding quarters. This provision would effectively prevent abuses of the system by those who earn a significant amount of money during a short period of time, when their annual income would be more than sufficient to meet their needs. We urge that this provision be retained.	
3. Control and prevention of improper payments We are in complete support of the expressions of determination by the Ways and Means Committee in their report on HR 1 that these welfare benefit programs must be tightly administered with every effort made to prevent and control improper payments. In	Proposal 17. Simplified methods.

particular, we are glad that the Administration is determined that no simple "declaration method" will be used, and that instead the essential facts in each case would be verified to the extent needed. In addition, we support the provisions under which families failing to make timely reports on their circumstances would be penalized by reduction in their benefit.

4. Enforcement of parental obligations

We support and want to strengthen the provisions for enforcement of the obligation which parents have to support their own children. State and local agencies' enforcement will be strengthened when the deserting parent realizes that by his failure to support he is incurring a debt to the government, which would be subtracted from income tax refunds and social security payments. The provision making it a federal crime to cross State lines to avoid child support will likewise strengthen the hands of the States in this regard. We also support the provision under which the income of a stepfather or stepmother would be considered in eligibility and benefit determination in exactly the same way as the income of a natural parent. We believe, however, that increased fiscal incentives to the States also are necessary.

5. Child care

We support the provisions designed to assure adequate child care facilities to meet the needs of welfare mothers who go into work or training. We believe that the full federal funding of child care provided by the Department of Labor for those in the Opportunities for Families Program will help ease the fiscal burden on the States.

We note that the Department of HEW would be responsible for setting child care standards. We hope that Congress, either through statute or expression of intent, would assure that these standards are realistic, practicable and broad enough to accommodate a wide range of alternatives in providing child care. The present Federal Interagency Day Care Standards are rigid and unnecessarily expensive, and do not consider the satisfaction of the mother as a prerequisite to adequate child care.

Proposal 10. Increased federal reimbursement for child support activities.

Proposal 11. District Attorney costs in enforcing family support.

6. Vocational rehabilitation services

We support the provisions for a greatly expanded use of the vocational rehabilitation services available through State Vocational Rehabilitation agencies with the additional costs to be borne by the Federal Government. These programs have been among the best in California, with demonstrable results and measurable cost benefits.

7. Social services ceiling

We support the principle involved in the shift from an open-end reimbursement system, to a closed-end allotment system for the federal support of social services. We believe this will encourage more effective management and administration of these programs, and think that the allocation formula the bill provides is fair and equitable.

We do not, however, feel that the Federal Government should, through law or regulation, specify services to be provided at their present level of detail. Service decisions must be made and results measured at a local level, since "social services" are essentially individual efforts of professionals (doctors, lawyers, social workers, teachers) for and with individual welfare recipients.

8. Durational residency requirement

We support the provisions which would permit States to impose a durational residency requirement as a condition of eligibility for State supplementary payment, and which would require the Federal Government to observe such requirement with respect to any State supplementary payment program they administer on behalf of the State.

The costs of required State and local activities relating to determining paternity of needy children, locating absent parents and obtaining child support from them should be excluded from the closed-end allotment, in addition to the costs of child care and family planning as provided in the bill. These State activities will be of direct fiscal benefit to the federal government since collections will reduce expenditures for federal benefits.

Senator ANDERSON. We will adjourn until 2 o'clock.

(Whereupon, at 12:30 p.m., the hearing was adjourned, to reconvene at 2 p.m., this date.)

AFTERNOON SESSION

The CHAIRMAN. Governor Evans, I believe we will have other Senators along in short order. The Senate is in session. We have to proceed the best we can, so I would suggest, Governor, you take the witness seat and proceed with your statement.

STATEMENT OF HON. DANIEL J. EVANS, GOVERNOR OF THE STATE OF WASHINGTON

Governor EVANS. Senator, I am delighted to have this opportunity——

The CHAIRMAN. Incidentally, we have quite a few problems because our Republican friends have a conference going on at this time. They will be along as soon as they can.

Governor EVANS. Thank you.

I am delighted to have this opportunity to come and to testify and, I would like to start by relating a little of our immediate background in the State of Washington, its economic problems, and the relationship it has to public assistance generally and H.R. 1 in specific.

I think Washington is something of a microcosm of the country, an average sized State geographically, an average sized State in terms of population, about average urbanization. Our economic problems, however, are not average. They have been widely publicized over the Nation during the past year or so, and I think sometimes wildly exaggerated.

But they have, in terms of numbers at least, been rather outstanding. Fifteen percent unemployment at times, the development of a new class of poor people who have been working for a lifetime, who have significant training and background, but who at the moment simply do not have jobs nor can find jobs.

We have had significant help from the Federal Government during the past year, half a billion dollars of direct and indirect aid. We have

accompanied that with belt tightening at home which, I think, has helped us survive and insured a better economic future in 1972.

During 1971, the State of Washington had a higher level of unemployment than virtually any other State in the Nation. With that high level of unemployment, however, we accomplished a leveling off and, in fact, a reduction in our total welfare caseload.

I know other States have talked about their accomplishments in doing this.

We, in a quiet fashion, with the accompaniment of some new legislation and a change in administrative structure, have done a significant job.

In the face of extensive unemployment, the welfare load has dropped, or at least leveled off. We have embarked on a new law, for instance, relating to errant fathers, where we do not intend to go after them just to put them in jail or to punish them, but a new law relating to the automatic garnishment of wages which has had an amazing effect. We have increased by 30 to 40 percent the amount of money that has come back to the State from fathers supporting their families. In these and in several other ways we have helped to level off the caseload.

At the same time, because of our leveling off of caseload, we have been able to increase benefits, bring them up to the 1972 cost of living, and to do this without any increase in our total public assistance budget.

I think it is a rather remarkable accomplishment, particularly in the case of the extensive unemployment we have.

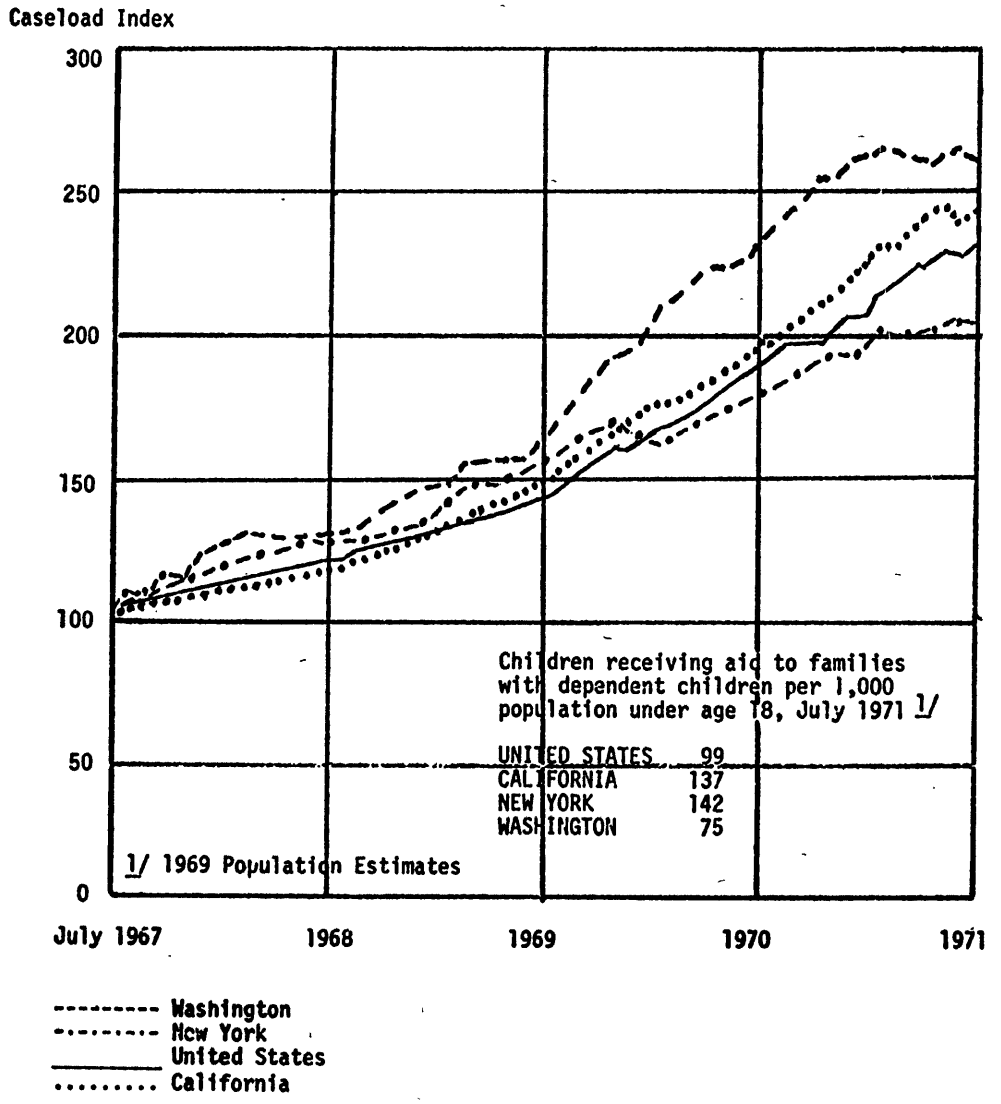
We have some charts over here which I think point up just what we have accomplished here in the State of Washington.

In our regular caseload of aid to dependent children, you will see that the State of Washington and two other States we compared ours with, California and New York, have had significant increases since 1967 in the caseloads. You will see at the top that Washington's caseload has gone up faster. This is a reflection of some of the severe economic problems, but that it also has not only leveled off, but has declined during this past year.

AID TO FAMILIES WITH DEPENDENT CHILDREN

REGULAR CASELOAD INDEX IN SELECTED STATES

JULY 1967-JULY 1971 (JULY 1967=100)



Governor EVANS. You will notice with interest, I think, too, that the percentage of people receiving public assistance, aid to dependent children in the State of Washington, is lower than New York, lower than California, by some 60 percent, lower than the U.S. average, and all of this in spite of a very severe economy.

The CHAIRMAN. How have you managed to bring that about, Governor?

Governor EVANS. Well, I think it has been a combination of circumstances. I mentioned some of the new laws. We have established during the past couple of years a new Department of Social and Health Services which combines together all of the formerly separate departments in our State relating either directly or indirectly to the field of public assistance. I think we have been able to provide better help for those who need help by combining services.

We have had to cut back in some areas where we did not have enough money a year and a half ago, and we felt we had to assist the high priority cases. We did eliminate from eligibility those on general assistance between 18 and 50, those who had no dependents, those who were employable, and said essentially, "I am sorry, there simply is not money for you," and we are essentially abolishing the program except on an exception basis. That, of course, had some effect on all of this.

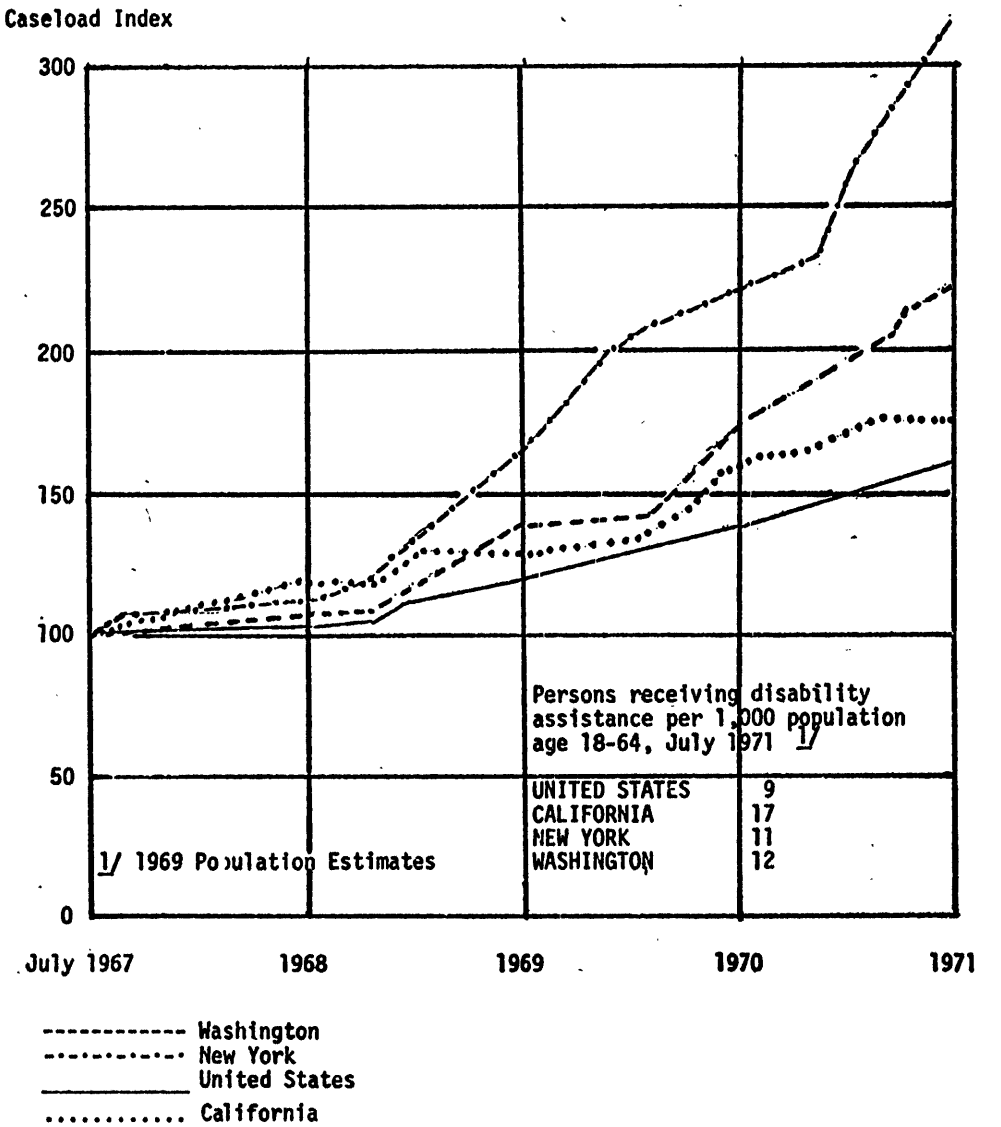
The errant fathers bill I mentioned has had some help and some effect. All of the things we are doing in combination have enabled us to bring this caseload down, and it is significantly below what we would have expected, of course, if the previous rates of increase had continued.

The next one shows in disability assistance the same trend. We have gone up in this area, it is a much smaller caseload, much smaller than others, although they were a little higher than the national average and New York, although significantly below California again in this field. Obviously, aid to dependent children is the big and growing, the most difficult category of all, and in that one I think we, with some innovative approaches, have gotten over the hump.

DISABILITY ASSISTANCE
CASELOAD INDEX

IN SELECTED STATES

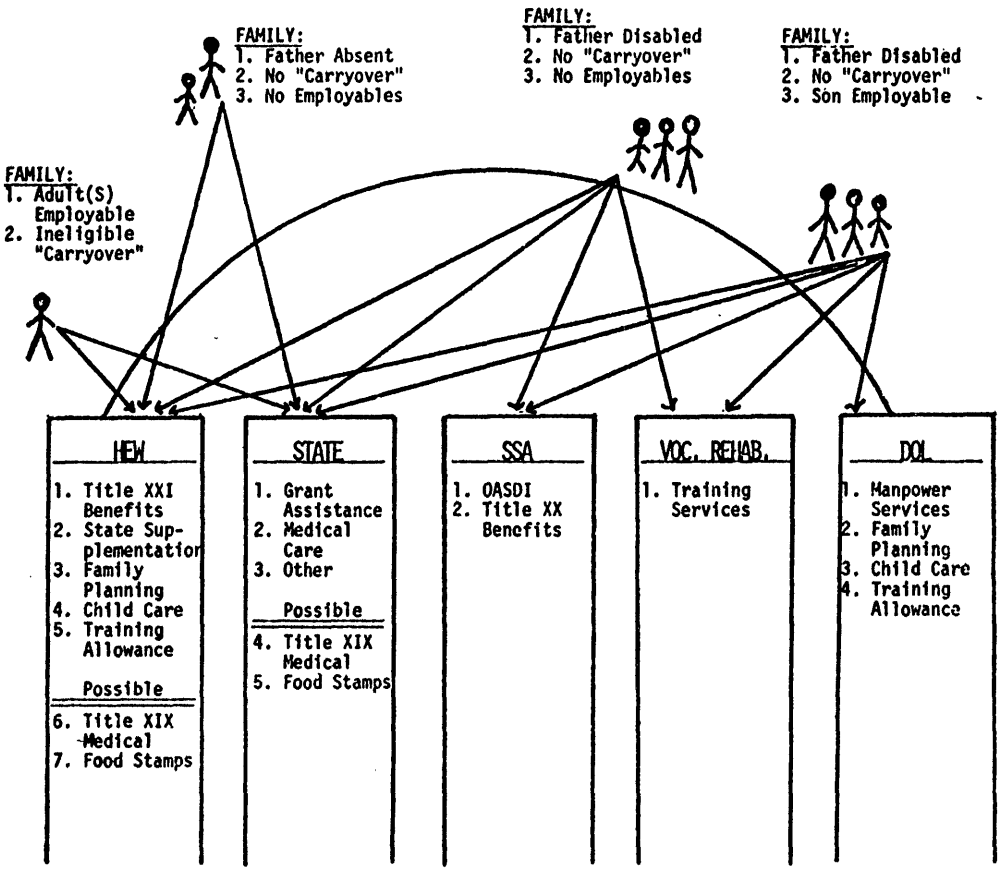
JULY 1967-JULY 1971 (JULY 1967=100)



Governor EVANS. H.R. 1 is a bold and innovative approach by the President and by the administration. Its principles are excellent principles and those I endorse, a benefit system for the aged, the blind and disabled separate from that for needy families with the potential for self-support, even though that potential may very well be long run or quite limited.

I am for the principle of assistance to the working poor even though the problem of defining economically viable maintenance levels is quite critical financially and in real terms, and our basic concern should be really for their full with no so-called carryover from previous quarters, with the son employable. They might have to contact as many as five separate agencies, the State plus four separate Federal agencies, in order to get assistance and, frankly, I think that is a step backwards.

AGENCIES PROVIDING ASSISTANCE AND
SERVICES TO FAMILIES UNDER H.R. 1



Governor EVANS. H.R. 1 then adds to the problem of multiplicity of agencies rather than going in the direction I think we should go, which is a simplicity, a one-stop basis, if you will, for those who have the need for help.

The Federal administrative structure, I understand, in H.R. 1 is voluntary, the States could continue to administer programs, but the fiscal benefits of having the Federal Government assume responsibility are so great that few States would find it feasible to continue to maintain their administration. It would mean in the State of Washington a Federal presence in each of our small communities which would supplant or duplicate the State presence already there.

We are in the process in our State of combining together all of our agencies dealing with the social and health problems of our citizens, and now to find that H.R. 1 would dismantle that, would preplace it with a Federal presence and would further splinter activities, I think is wrong and that is one of our major differences.

We have attempted to find a one-stop effort for our citizens who need help. We hope that by continuing the State with no so-called carryover from previous quarters, with the son employable, they might have to contact as many as five separate agencies, the State plus four separate Federal agencies, in order to get assistance and, frankly, I think that is a step backwards, and a wrong direction.

H.R. 1 then adds to the problem of multiplicity of agencies rather than going in the direction I think we should go, which is a simplicity, a one-stop basis, if you will, for those who have the need for help.

The Federal administrative structure, I understand, in H.R. 1 is voluntary, the States could continue to administer programs, but the fiscal benefits of having the Federal Government assume responsibility are so great that few States would find it feasible to continue to maintain their administration. It would mean in the State of Washington a Federal presence in each of our small communities which would supplant or duplicate the State presence already there.

We have taken great steps and are in the process in our State of combining together all of our agencies dealing with the social and health problems of our citizens, and now to find that H.R. 1 would dismantle that, would preplace it with a Federal presence and would further splinter activities, I think is wrong and that is one of our major differences.

We have attempted to find a one-stop effort for our citizens who need help. We hope that by continuing the State involvement and State management of a welfare program that we will be able to maintain that one-stop concept.

Most of the people who need help through public assistance also very likely need help through our health department, through our department of institutions, through vocational rehabilitation. We have combined all of these together in one State department, and I think that is the right direction to go.

Some seem to think that largesse flows from Washington, D.C., to the States. I think we forget sometimes that tax money comes from the people of the various States, collected at Washington, D.C., and then redistributed back to the various States.

Under H.R. 1, we would be in the position of putting up a substantial amount of State money for matching on a continuing basis. Even though it might not be increased, there would be a continuace of State money.

We estimate in the State of Washington that other than for the working poor we would be supplying 41 percent of the continuing money. It would not be a saving, in our view, under H.R. 1, as some have projected, but an additional cost, as H.R. 1 is now written, of $22 million a year to the State of Washington 1973.

I think what we are really talking about is revenue sharing in reverse, where we are asking the States to continue their participation under Federal management in a Federal distribution system with no strings attached, and I thought that revenue sharing was a program being considered at the national level, which I endorse.

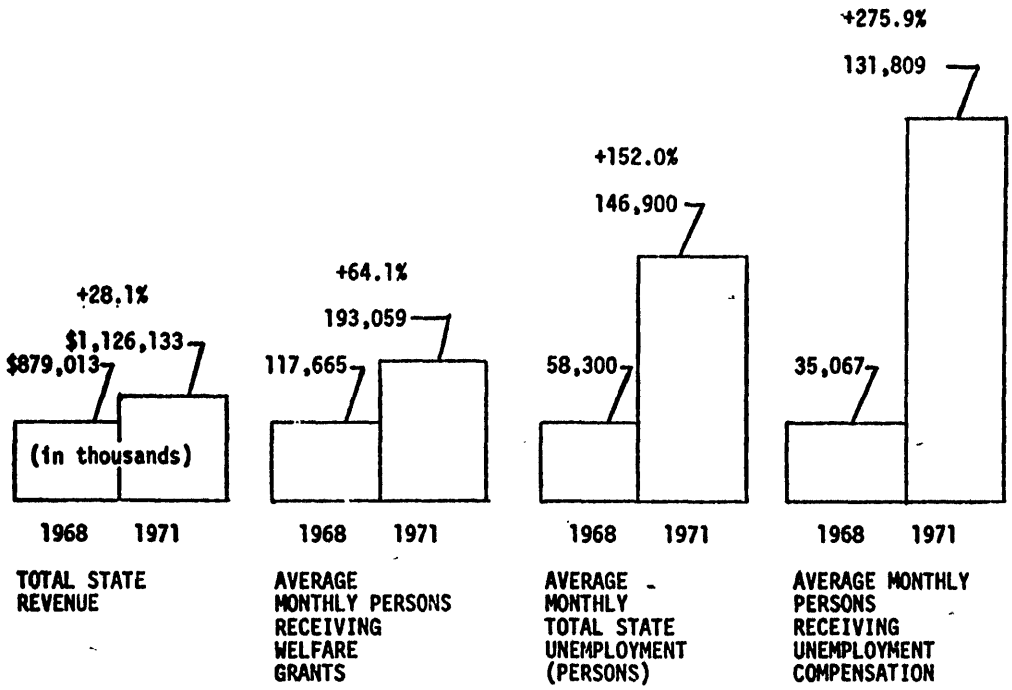
I suggest that this is just the reverse of that end that Federal administration is the wrong way to go.

The second difference I have is in the economic principles related to H.R. 1. The previous quarter earnings concept makes a significant number of people ineligible for public assistance in our State. I know that this was an attempt to correct the seasonal problem of people who make a sufficient amount of money during the year, but do it on a seasonal basis. We have been under a sharp economic decline, however, as we have faced in our State the problems of many people who have lived and worked consistently and continually on a 12-month-a-year basis, many of them without any excess or with any ability to save money, but when they are out of a job they need help. They cannot wait for several months just because they had previous quarters' earnings which they did not contemplate using to maintain themselves for an extensive basis.

That is why this particular part of H.R. 1, it seems to me flies in the face of the economic realities, especially with severe economic declines.

The third chart, I think, points up what happens during a time like that we have faced in the State of Washington. In times of recession the demands on revenue increase faster than revenue growth.

IN TIMES OF RECESSION, DEMANDS ON
STATE REVENUE INCREASE FASTER
THAN REVENUE GROWTH
STATE OF WASHINGTON FY-1968 & 1971



Governor EVANS. Our State's experience is shown on the far left. In 3 years from 1968 to 1971, total State revenue increased by 21 percent mostly through inflation. But the average monthly number of persons receiving welfare grants went up 64 percent. Total State unemployment went up 152 percent and the average monthly number of persons receiving unemployment compensation went up to 75 percent, so we have significant and immediate additional fiscal needs.

H.R. 1 would delay response during a time of severe economic decline, and I hope something would be changed in that relationship.

The third area is in the field of support services. I know there has been some concern expressed over support services, some limitations placed on H.R. 1 on the amount of social services required.

H.R. 1 would drastically reduce the Federal participation in social services in the State of Washington. We estimate it would cut back $16 million a year the effort we are now making in the field of social services.

Many people need nothing more than an opportunity for new jobs.

The CHAIRMAN. Governor, I hope you have those charts in a form that we can include them in the record of the hearings.

Governor EVANS. They are attached to my testimony.

The CHAIRMAN. I know Senators of your State will want to use that in the event it is needed to help support their argument to the extent that the committee might fail to do what you are suggesting.

Senator BENNETT. They are in the testimony?

Governor EVANS. Yes, they are attached to the testimony, Senator.

The CHAIRMAN. All right.

Governor EVANS. The drastic reduction of Federal participation in social services would, I think, put a damper on our abilities to attempt to handle the problems of many of the people in our State who need more than just jobs. There are others who need a wide variety of services and while the providing of social services may not always be perfect, in fact perhaps a long way from perfect, I do not think it is an answer merely to put a limitation on and cut back severely on those social services.

We need fiscal prudence, but we also need adequate funding.

This brings me to what I believe the bill should contain, at least in principle.

First, in my view, it should contain administrative feasibility, should aim toward the simple one-stop concept and, I believe, that very strongly suggests the need for a continued State involvement and using the State as a distribution system and as a manager for whatever welfare reform bill comes out of this Congress.

Second, there should be a true hold-harmless clause in the bill. The hold-harmless clause presently in H.R. 1 is not a hold-harmless clause for our State. We estimate the additional costs, not the saving but the additional cost, would be some $22 million per year. There should be a meaningful hold-harmless clause on such things as services we now provide to pregnant women who have no other children and the spouses of those who are ineligible, but who need help. We have a number of categories where we are providing assistance and under H.R. 1 we would be faced with the unhappy choice either of eliminating those present services and cutting back on people who we believe need services, or faced with a significant additional cost under H.R. 1 which we do not now bear.

Rather than the $11 million saving which is categorized, at least in some of the tables for the State of Washington, we believe the additional cost under H.R. 1 as written would be $22 million per year.

Third, I think the bill should contain benefit levels related to need, and I mean current need, not the need of the last quarter or inclusion of previous quarters income which will delay and would eliminate in our State a very healthy percentage of those who are now eligible and could draw public assistance payments, and who need that help.

Fourth, the bill should have adequate social services so we can continue to do the job we believe is necessary to help people who are employable back to independence, which should be our total goal.

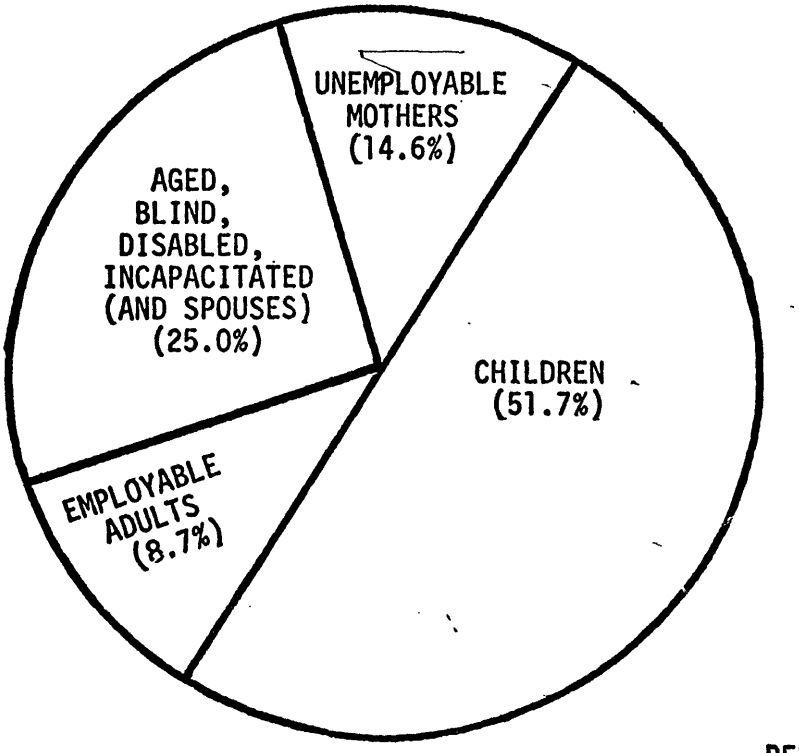
Let me say, in conclusion, if I were to suggest what this Congress should do right now, I believe it is time, and it should be reasonably possible, to separate the blind, the disabled, the aged from our present public assistance system, and to put them on a stable base related to OASI.

Most of these people are either unemployable or are employable to a very limited degree. Most of the people in our State, a very high percentage of the aged for instance, already draw OASI checks, but they are too small for them to live on so they draw another check from our public assistance division.

EMPLOYABILITY STATUS

OF PUBLIC ASSISTANCE GRANT RECIPIENTS

WASHINGTON STATE, DECEMBER -- 1971



	PERSONS
TOTAL	203,767
AGED, BLIND, ETC.	50,997
UNEMPLOYABLE MOTHERS	29,783
CHILDREN	105,205
EMPLOYABLE ADULTS	17,782

Governor EVANS. I think that is a first and definitive step which could be taken generally without very much opposition.

Second, I think perhaps we do need to conduct a variety of experiments on different approaches, to see what the fiscal impact of broad welfare reform will be on this Nation, and I am not suggesting just a single State or two or three States each of which would try out H.R. 1 as written or similar to H.R. 1 as written. I am talking about a variety of experiments, each one different, each one attempting to meet the needs. We all see in welfare reform and discover which one is the best, which one is most reasonable in terms of both money, management, and aid to the people who need help.

We sometimes forget in our drive toward fiscal prudence, in our concerns over the expanding costs of public assistance, the people we are trying to serve, and those people, I think, are those who have no other resources, who have no other place to turn, who need the help and assistance we can provide for them in an attempt to bring them to a position of economic independence.

Finally, I join, I suspect, with all of my colleagues in asking for help immediately, the alleviation of the fiscal hardship, the burdens, which have been placed on every State with a rapidly skyrocketing public assistance cost. Even though we have been able to get them at least reasonably under control, we know that our present welfare program in the State of Washington does not meet all of the needs of all of the people who require help and, therefore, we do need fiscal assistance but we do need some basic changes in welfare reform if it is to be a viable package.

I would be happy to respond to any questions you have.

The CHAIRMAN. I am going to start at the far end of the table. Senator Byrd, would you like to ask any questions of the Governor?

Senator BYRD. Thank you, Mr. Chairman.

Governor, Secretary Richardson, when he was sitting at the table at which you are now and testifying upon this legislation, in his official document to the committee, put in capsuled form his appraisal of H.R. 1. He said it is "revolutionary and expensive."

Now, from your knowledge of this proposed legislation would you concur in that appraisal by Mr. Richardson?

Governor EVANS. I am not sure I would use the word "revolutionary" but I believe it is certainly a bold and an innovative new program which, as I say, I do endorse in principle.

I think that the expensive portion is what we are all concerned about. I am not so sure that H.R. 1 has to be as expensive, and which we are trying to attack through welfare reform.

Senator BYRD. Thank you. I just wanted to emphasize the view of the chief proponent of this legislation, which he terms as "revolutionary and expensive."

Now just one other question or comment: Dr. Moynihan whom you know, of course——

Governor EVANS. Yes.

Senator BYRD (continuing). Who was one of the architects of this legislation, says:

The bill provides a minimum income to every family, united or not, working or not, deserving or not.

I just wondered if you would care to comment on that, and whether such a proposal is in keeping with the sanctity of the trust funds of the American taxpayers.

Governor EVANS. Perhaps I am not as literate as Mr. Moynihan and would not capsulize it quite as easily, but when you get right down to it we, for a number of years now, have done essentially what he is suggesting. We have provided minimum incomes to people, some of them perhaps not deserving or some of them people who might otherwise be working, but our public assistance programs, with Federal support over the years, combined with unemployment compensation programs and a variety of other governmental programs, have done exactly that. They have provided a minimum income for citizens.

We do not, in this country, let people starve, or at least only those who essentially fall between the cracks of some of these governmental programs.

Senator BYRD. You do not equate this with unemployment compensation?

Governor EVANS. No, no; I am just saying the combination of these programs has contrived to essentially put a minimum income under our people.

Now, the problems are that it has been totally inadequate in some cases, it has been accompanied with a growing complexity of management which has defeated the program in more cases than not. It is a program that has been exceptionally costly.

I think the problem is not so much one of whether or not we are going to provide a minimum income or minimum support for people. It is a question of, are we going to do it in a system that will be as simple and as direct as possible, one which attempts to encourage those back to economic independence who can get back there, and one which simplifies and makes more stable and puts under, more honorable conditions the support we provide for the aged, for the blind, for the disabled, those to whom, I think, the preesnt public assistance program is demeaning.

Senator BYRD. Well, the question of the aid to disabled, blind, and aged, the committee, I would say, would be unanimous on that aspect of the program. I think the Senate would be unanimous in that aspect of the program. But the chief architect describes H.R. 1 as providing a minimum income to every family, united or not, working or not, deserving or not. I think it is a very significant statement and I think it is one that the taxpapers should be aware of.

I, for one, and maybe I overemphasize it, but I for one feel that some consideration has to be given to the cost of these programs.

This Government has in the current fiscal year—is running a deficit, if you want to use the President's method of accounting, which I do not use, but we will use his method, of $38.8 billion by his own figures. I insist that the deficit is $44.8 billion because there is a $6 million surplus in the social security trust fund. But, be that as it may, I think we will both agree that $38.8 or $44.8 billion is a gigantic deficit.

I want to say in that connection, too, that I was rather astonished that the distinguished and able Secretary of the Treasury, for whom I have a high regard, made a speech and said that the American people should applaud that deficit.

Well, I want to say, this is one American who does not applaud it. I condemn it. I contend that we cannot have a progressive government over a long period of time unless it is soundly based financially. I do not think a company can be progressive unless it is soundly based, financially, and I do not think a government can be.

That is a little aside from the point except that it ties in with the costs of the program.

I would like to welcome you to the committee and thank you very much.

Governor EVANS. I would just like to say in one commentary, Senator, we feel very painfully the problems of fiscal management and fiscal prudence. In our State we have, as I have pointed out, suffered with a 11- or 12-percent unemployment, about double the national average. We have had significant financial problems. We have had a decline in State revenues from that which we had anticipated at the beginning of the 1969–71 biennium, of very significant amounts.

At the same time, we have had additional pressures on public assistance and the programs to support those who are out of work, but we have maintained a balanced budget in our State, we do not have a deficit, but we have a surplus in operating funds. We have had to do it with some severe cutbacks which we have been willing to make and the people in our State have been willing to make, which I am not sure have been equaled in other parts of the country or even through our Federal Government.

Our State employees have not had a salary increase for the last year and a half and they have been willing to assume that, knowing we had to maintain fiscal prudence, and, at the same time, do the job we had to do. We have had many cutbacks, both in terms of employees, in terms of services, but we did it and I suggest that that probably can be done other places as well, and still maintain the basic services that we have to provide.

As I pointed out, the fact that we have been able to modify the direction of public assistance growth, especially aid to dependent children growth, and leveled it off during this past year has enabled us to bring the cost-of-living measurements of welfare grants from the 1967 up to 1972 base, and to do it without adding anything to our public assistance budget through the savings of reduced caseloads.

Senator BYRD. I congratulate you and commend you, Governor, for having a balanced budget. I wish our Federal Government would operate in that same direction despite the fact that the theorists say it is fine to have all these deficits.

I do not agree with it, and I commend you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Ribicoff?

Senator RIBICOFF. No questions, Mr. Chairman.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. No questions.

Governor, I am sorry I got in late, but I shall give your statement my attention.

Governor EVANS. Thank you.

Senator TALMADGE. I compliment you on your statement. In view of our fiscal condition could you share some revenue with us? [Laughter.]

Governor EVANS. I am afraid that is what we are being asked to do under H.R. 1 as it is written, and that is one of the major differences, of course, I have.

Senator TALMADGE. The bill was sold to the House on the idea that it would greatly reduce the welfare costs of virtually every State, and most Governors come up here with the idea that they would unload this whole welfare mess off on the Federal Government. You do not buy that argument, I take it.

Governor EVANS. No; I do not buy either argument.

We have done a very careful analysis of H.R. 1. Our staff has, I think, gone through the program, we have been in contact with HEW, we have pointed out our methods and, after considerable amount of discussion both ways, they find no fault whatsoever in our economic analysis which shows that rather than saving our State a substantial amount of money, that it will, in fact, cost us $22 million extra just to maintain what we are now doing.

Now, the alternative, if we were to save that kind of money, would be to just eliminate or cut back on the many State programs which are not part of the hold-harmless agreement in H.R. 1.

Senator TALMADGE. I concur with your view, Governor, that you could have more efficient administration on the State and local levels than you could on the Federal level.

I also concur that before we put a program of this great scope, magnitude, and cost into operation, we should have some test run not only involving this approach but several others to determine which would be most beneficial for the people, the taxpayers and the recipients in the country.

Thank you very much.

Governor EVANS. Thank you, Senator.

The CHAIRMAN. Governor, I feel like to some extent I have been a third Senator from your State. You have some very fine people out there and two good Senators. I voted with them to continue the SST, and if they had done that you would not have so much unemployment in your State. I felt it was a mistake to discontinue it.

Insofar as this committee is concerned, I think I more or less led the charge to get you some help for those unemployed workers out there by this bill that the President signed at the end of last year. You have some good representation here, and their suggestion of what should be done and what the needs were, have been very persuasive to us.

Now, with all due deference, Governor, we in Louisiana would get more federal money, relatively speaking, out of this H.R. 1 than your State would. Nonetheless, I am not going to vote for it. I do not think I could be elected if I did if my people understood what this does.

Senator Talmadge from Georgia represents the State that would be one of the principal beneficiaries of Federal funds under the thing; he is not going to vote for it. I do not think his colleagues will either. I think he knows what the people—how the people feel about it.

Mississippi would benefit more than any State in the Union and you will not get any votes out of Mississippi for this thing. I think the same thing would be true to a lesser degree of Alabama, and so do

not worry about the favors for these low-income States. Our people cannot afford the program for the simple reason that we do not see how we could get anybody to go to work if we did.

We are having a difficult enough time down there of getting people to work the way it is now.

Do you know that in Louisiana that this thing would increase our welfare load from 300,000 to 700,000 in a little State of 3½ million people?

In Mississippi it would be worse than that. What would the change be in Mississippi?

Senator TALMADGE. About 35 percent of the total population under the original House bill.

The CHAIRMAN. Well, the original bill had over 50 percent, as I recall it, but even so, even if you make it 35 percent.

Those people down there have been working very diligently and doing a good job competing with other States to bring industry into their States to provide jobs for their people. The jobs pay more than the guaranteed wage for not working, but not much more. It would be near impossible to get a lot of poorly motivated people to even go to work if they can get the guaranteed annual income for not working.

Can you understand why people from those States cannot vote for the program? We cannot afford it.

Now, mind you, if you can arrange somehow to tax your people enough to put all of us on the welfare rolls, we might be able to support that program but if you were from Louisiana, how would you go about getting people to work by the time you double up on the welfare payment and double the numbers of people on the rolls?

Governor EVANS. Mr. Chairman, one of the continuing problems we have economically is competition. We pay people in the State of Washington more than they pay in Alabama or Mississippi for working, and I think that is true and we are not the highest paid State in the Nation by a long shot.

The CHAIRMAN. What is your hourly rate?

Governor EVANS. The hourly, the manufacturing wage, the average manufacturing wage is about $150 a week.

The CHAIRMAN. How much an hour?

Governor EVANS. Well, about $3.75.

Senator BENNETT. $3.75?

The CHAIRMAN. Governor, that is competitive to what our industrial jobs are paying in Louisiana.

Governor EVANS. That is the average of all wages. Now you get a skilled industrial worker, it will be substantially higher than that.

The CHAIRMAN. What does he make?

Governor EVANS. Well, someone in the aircraft industry will be four and a half probably, to more than that, depending on their skill levels. A person working in the woods will probably be upwards of $5 an hour.

The CHAIRMAN. We cannot compete with your scale in the woods. Your people can saw out one big tree that has been growing 300 years and get a lot of timber. Our people have to saw a world of trees to get that much timber.

Governor EVANS. You grow them faster.

The CHAIRMAN. That is right. We cut them at least every 30 years. We call it tree farming; we plant them and start cutting after about

10 years, thin them out; and keep cutting from then on. But we have some industrial workers down there and have some shipyard workers and some sophisticated industries.

We are in the space business in a small way, and other things. In our refineries and petrochemical industries we have the kind of wages that compete with yours. But even so, at a much lower level of benefits, we have a lot of people on the welfare rolls who ought to be working and, to my certain knowledge, we have had a lot more people who quit their jobs because they could make more money with welfare.

Let's see, here is Mississippi; according to this now, they would increase the numbers they have on the rolls from 269,000 up to 626,000 in a State with a population of 2.145 million people.

Now, would you not think that Mississippi would have considerable difficulty finding the labor to man the new plant they are hoping to bring in that State if they have that many people living on welfare?

Governor EVANS. Well, first, under our present system if we assume that people would rather live on welfare than work, which I do not really believe is the case from most people——

The CHAIRMAN. I have observed my neighbor doing it.

Governor EVANS. I am sure there are some. I do not believe that that is the basic feeling of most people who are on public assistance, if they thought they could do better by working. We do have some problems, I think, with the present system as a disincentive to work.

If under our present system we allocate so much money to an AFDC family, for instance, and then when you add to that the amount of money or the equivalent of it for medical care, the bonuses for food stamps, the fact that there is no social security or withholding payments taken from that salary, the fact that there is no cost of going to work in either transportation or whatever other necessities there are in working, right at the present time we would find in our State that you would have to earn a pretty significant wage to end up any better.

So I do not think it is just a case of keeping what we have at the present as compared with H.R. 1 for our present system is a bad one in that respect.

I think for those who have an opportunity to work, who are employable or who could be employable, we are not doing a very good job today, and I think we ought to do a better job and I think it has to be in terms of whatever is necessary to provide the training, the education, the incentives but, most of all, the jobs.

One of the things that is of greatest disappointment to people in our country today is the plethora of training programs and educational programs purportedly leading to jobs, and they go through them, finish the program, and there is no job at the end.

The CHAIRMAN. How do you feel about Governor Reagan's suggestion that you—and Governor Rockefeller tells me informally that he favors the same idea—that you put these people to work doing something in return for that welfare money, rather than paying them to do zero.

What is your reaction to that suggestion?

Governor EVANS. That we have already done a good deal of in our State.

One of the programs, incidentally, that we felt was a good Federal program was the community work and training program. We initiated,

started it out, had good success with some of our counties and local communities. We did put people to work. It was very effective and then it was replaced by the WIN program, and that simply has not in all respects allowed us to do the same kind of thing that we once were doing.

We have embarked in our State on a program which does take some of the people who are on public assistance and puts them to work in our welfare offices, and it has been very effective. We have a program we call a Swinger program for the youngsters on welfare, the teenagers, and during the summertime we put them to work. We give them a work experience, give them the basic kind of training that I think is very helpful in their own future, give them some money which they can keep for school purposes and education, and it has been a dramatic and remarkable program.

If you will go back to that AFDC chart, I think it was the first one, perhaps our difference with Governor Reagan and with Governor Rockefeller would be made clearer. In July of this year the U.S. average was 99. I suspect that both California and New York would like to put a good many people to work because they have 137 per thousand, New York has 142, and the State of Washington has only 75. So I suggest in our State, at least, we do not have the same kind of welfare load, and certainly the same numbers of employables on the load.

If I might take the committee's time with that last chart, I can at least briefly point out our situation in the State of Washington.

The employability status of people is, I think, not always understood very well. In the State of Washington, 25 percent of those as grant recipients are blind, aged, disabled, incapacitated; these are the people who I think all of us would agree ought to be on a separate type of program.

The unemployable mothers, now we are talking about unemployable mothers in terms of those who have children under 6, as H.R. 1 essentially calls for, although I understand it eventually goes down to those with children under 3, constitute 16.3 percent of the caseload. Fifty percent of all those drawing grants are children themselves, and are not yet employable, although we think our Swinger program and other programs designed to bridge the gap for teenagers, give them a work experience and direction toward employment rather than public assistance, is something that ought to be expanded. You end up with about 8.7 percent of them as clearly employable adults and we think a better program ought to be accomplished to get those employable adults back into the mainstream of employment. It is not a huge percentage of total numbers drawing public assistance.

The CHAIRMAN. I understand you have an appointment at 3 o'clock in the White House.

Governor EVANS. No, it is 3:15.

The CHAIRMAN. Suppose, rather than pass the program that was suggested to us, we simply took over the aged category insofar as we think we should, with a minimum of $130 a month for a single person, and at least $200 recommended by the House, maybe more, for a couple, and lifted that burden entirely from you and then proceeded to simply take off all these Federal strings that HEW has placed on the family program, gave you the matching but took off all those Federal requirements so you had discretion to run your pro-

gram the way you think you ought to run it, would you then have enough money to do what you think needs to be done with a welfare program in your State?

Governor EVANS. I cannot guarantee it, but I would cheer if that is the direction you took. [Laughter.]

Let me just say this: If we were to take all of the HEW money for welfare, which is distributed to the State of Washington, and add to that the amount of money that HEW now spends in the regional offices for supervision and management and the amount of money the State is now putting up for its share of welfare, the welfare program, and I might say we are a State where 100 percent of the local share comes from the State, there is no local responsibility, and if we had that all without any strings attached, we would put on a whale of a program certainly compared to what we do today.

Senator BENNETT. But are you building into that idea you want it open-ended, you want the Federal Government to continue to supply money so that if your rolls go up or if there are things that happen, the Federal Government cannot control, the money will be provided, or would you agree to a closed-end arrangement?

Governor EVANS. I think there are difficulties with a closed-end arrangement and this may sound like, just another Governor wanting a straight pipeline to the U.S. Treasury, but it is not that; I think we are a good example.

In 1967, 1968, and the beginning of 1969, we had a very fine economy. We had less than 3 percent unemployment for a while, at least in our metropolitan areas. We were below the national average in unemployment.

In about a year and a half unemployment in the Seattle metropolitan area, went from less than 3 percent to over 15 percent. We had a severe and sharp economic decline.

Now, when that happened, we had a severe reaction in terms of our expected revenues to the State government and, at the same time, severe pressures for temporary help, at least through public assistance, and I think that if we added a closed-end formula program such as you are talking about at that time, we would have been in very, very serious shape.

So I think there has to be some relationship to the changing economic problems and the varying economic problems among our States.

Sometimes we look at the national averages and try to judge what we do by national averages, but there is, believe me, a lot of difference when the national average of unemployment is 6 percent and we have 12 percent and a State like Colorado has 3 percent. There is an enormous difference between the two and somehow it has to be recognized that our severe problems come during periods of sharp economic recession which we simply cannot predict, we cannot control, that produces the need for additional money for help in these social service programs at a time when we have a declining amount of money available.

Senator BENNETT. Well, I am sure you can realize that we cannot sit here and allow the legislature of any State to build up a welfare program knowing that the Federal Government is going to finance it. That is my idea of a really open-ended program.

So maybe we shuold be thinking of some kind of a formula which would limit the Federal responsibility and yet allow it to fluctuate as the need fluctuates.

Governor EVANS. Well, I think a sharing is something that perhaps can be put together, especially if there is a recognition or a trigger or some kind of proposal at the Federal level which does recognize these severe, and, I think, relatively rare cases where you have a sharp and extensive economic decline which simply makes all the formulas you try to put together really inoperative. That is the problem; those are the problems we have run into where the normal formulas, the normal expectations, that we like to think we can take care of simply do not work.

The CHAIRMAN. Well, Governor, that open ended thing works more than one way.

Now, there are several court decisions allowing HEW to load the welfare rolls down with people who have no business being on the rolls whatever.

For example, are you aware of an HEW regulation that rules a State out of conformity and cuts off their money if they find the father living right there in the house with the mother but not married to her and try to do anything about it. He might be making plenty of money to support that family, but, so long as he says he is paying nothing to the support of those children, an HEW regulation requires that you pay the full amount of welfare payments to the mother and the children. The father might be right there in the same home and even enjoying some of the benefits of that same welfare check.

Governor EVANS. Senator, all I can say is that HEW regulations can be superseded by acts of Congress.

The CHAIRMAN. They ought to be. But, as for these court decisions, it depends upon whether they are prostituting acts of Congress or the Constitution.

Now, consider this recent decision from Maryland that you must pay the welfare payments to people who are out on strike and people who are fired for cause. Does that make any sense to you?

Governor EVANS. I think it distorts our normal relationship in a labor dispute. I do not think there is any question about it.

The CHAIRMAN. Furthermore, today all any father has to do is merely depart from the house, get himself lost out there in society, and out among the public, and then it becomes the burden of the Federal and State Governments to pick up the support of those children. He's shifting the burden of supporting those children to other workers who might be less able to support his children than he is himself, people who have their own families to support.

Governor EVANS. I might say, as I pointed out, we have attempted to get to at least a portion of that problem with new law at the State level aimed at support enforcement, a new law which allows garnishment of wages and, believe me, that has a very, very good effect.

The CHAIRMAN. Have you experienced the same problem here that is being experienced in Arkansas where the father has all the income necessary to support his own children, and is married to the mother, and the mother knows the whereabouts, and everybody around the area knows the whereabouts of the father, that notwithstanding that

the HEW, under the guise of protecting privacy, will not let that district attorney take a look at those rolls, or take a look at that file, so as to prosecute the father for nonsupport and, thereby, under a false and improper use of confidentiality HEW requires that the States, plus the Federal Government, pay for the support of obvious fraud cases by relying needlessly on confidentiality.

Are you aware of that?

Governor EVANS. I am aware of the problems of confidentiality and we——

The CHAIRMAN. So frankly, if we just overrule a bunch of these regulations to let you pay the people who ought to be paid and take off some of these people who do not belong, the truly needy could be taken care of willingly.

I think also when we get through with this, we are going to have a good child-support law and I would urge you to make available to us any legal talents you have to help us draft it. Apparently you have been doing a goob job in your State and we need all the help we can get.

Do you think we ought to put a mother on the rolls even though she declines to tell you who the father of her child might be?

Governor EVANS. I think what we are really getting at here is that, in my view, we ought to have a program that would allow us to deal with the problems of people as individuals. We are so caught up in formulas and so caught up in categories and so caught up in regulations that we have forgotten that people are individuals and each one has an individual problem, and if we had the ability and the flexibility to deal with people problems, we would do better. We were at a position a few years ago, where we were emphasizing distributing aid and getting people on the rolls and I think there were a good many who got on the rolls who should not have been there.

At the present time the emphasis has shifted so perhaps we are spending more effort on the fraudulent, the ones who should not be on the rolls, and forgetting again that we have individual citizens, many of them with difficult problems, at least in our State, and I am only familiar with our State, citizens who, by and large, would like nothing better than to be independent, to be earning a good wage, to not be depending on the Federal Government or the State government or anybody else, for support, and our job, I think, is to help get as many of those people back to the point where they can be independent, and that is the kind of welfare program we ought to be designing. But we have gotten so caught up in the formulas, the rules, the categories, that we forget the human beings who are at the end of the pipeline.

The CHAIRMAN. Thank you very much, Governor.

Senator JORDAN. Just 30 seconds.

I want to say, I am sorry I missed the Governor's statement. He is a neighbor and I know of the fine record he has established in the Northwest and he is known as a good Governor, and I just want to say that I appreciate your appearing here today, Governor, and giving us the benefit of your views.

Governor EVANS. Thank you, Senator Jordan.

(Additional material submitted for the record by Governor Evans follows. Hearing continues on page 1998.)

DEPARTMENT OF SOCIAL AND HEALTH SERVICES,
ECONOMIC SERVICES DIVISION,
Olympia, Wash., February 4, 1972.

Hon. RUSSELL LONG.
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

Attention: Tom Vail

DEAR SENATOR LONG: As requested, we are enclosing a copy of the background material used by Governor Evans in his testimony on HR 1 before the Senate Finance Committee on February 1, 1972.

This material includes (1) a summary of the estimated effects of HR 1 on Washington State, (2) the detail of the estimated fiscal impact upon this State, (3) the estimated effects of increasing Federal Benefit levels for Title XXI families to $2,800 and $3,200 (for a family of four) in Washington State, (4) a summary of the protection provisions for state employees contained in various welfare reform measures, (5) a summary of the detail of HR 1, with comments, and its effect upon Washington State (this summary was prepared July 15, 1971 and *not* been revised for information about the bill that has become available subsequent to that time) and (6) the estimated effect on Washington State, of the fiscal relief (to states) proposals made by you and Senator Percy.

I hope that this material will be helpful to you. If you have questions concerning these data, or any other questions about the effects of HR 1 on this State, we shall be happy to provide additional information.

Sincerely,

Miss MARY LOU EVERSON,
Assistant Secretary, Economic Services Division.

WHAT H.R. 1 PROVIDES

1. Guaranteed Income:
   a. *Families* (Title XXI):
      Size, 2; annual, $1,600; monthly, $133.
      Size, 3; annual, $2,000; monthly, $167.
      Size, 4; annual, $2.400; monthly, $200.
      Size, 5; annual, $2.800; monthly, $233.
      Size, 6; annual, $3,100; monthly, $258.
      Size, 7; annual, $3.400; monthly, $283.
      Size 8 and over; annual, $3,600; monthly, $300.
   b. *Adults* (Title XX):
      Size, 1; annual, $1,560; month, $130.
      Size, 2; annual, $2.340; monthly, $195.
   c. Adults—Institution (Title XX):
      Size, 1; annual, $300; monthly, $25.
2. Income Exemptions:
   a. *Earnings*:
      (1) Families—$60 a Month+⅓.
      (2) Adults:
      Aged—$60 a Month+⅓.
      Blind—$85 a Month.+½.
      Disabled—$85 a Month+½.
   b. *Child Care Expenses.*
   c. ⅓ of Child Support.
3. Cash instead of food stamps.
4. Manpower program:
   a. Double WIN slots—225,000.
   b. 200,000 P.S.E. slots.
5. Services:
   a. D.O.L.—manpower.
   b. H.E.W.
      (1) Child Care.
      (2) Family Planning.
   c. State:
      (1) Vocational Rehabilitation.
      (2) Other Social Services.

6. Federal Administration (Eligibility):
   a. Families and adults:
      (1) Federal funded.
      (2) Mandatory if "hold harmless."
      (3) No agreement, Federal benefits cut.
   b. Medical (Title XIX); optional—no state savings.
   c. Food Stamps; HEW may administer.
   d. "Other" programs; State administration at state expense.
7. Optional State Supplementation:
   a. "Working poor."
   b. Unemployed families.
8. "Hold Harmless' Limitation:
   a. Calendar 1971 expenditures.
   b. 1971 standards+food stamps.
   c. Other.

What H.R. 1 Costs

COST

[In millions]

	Total	Federal	State
Current law:			
Public assistance	$211.2	$116.7	$94.5
Food stamp bonus	21.9	21.9	0
Total	233.1	138.6	94.5
H.R. 1: Estimated cost	288.0	170.9	117.1
Cost	+54.9	+32.3	+22.6

Why Increased Costs

1. Income Levels.

	H.R. 1 benefits	Current level: Assistance[1]	Current level: Food stamp bonus	Current level: Total
Families:				
2	$133	$200	$31	$231
3	167	240	28	268
4	200	270	37	307
5	233	299	43	342
6	258	327	49	376
7	283	352	56	408
8	300	373	62	435
Adults:				
1	130	141	15	156
2	195	200	31	231

[1] King County—Renting.

2. Some cases *not* eligible under H.R. 1—will need 100% STATE ASST. (Not subject to "H.H."):
   a. Non-eligible spouses of adults.
   b. Pregnant women with no other children.
   c. Kids living with non-needy relatives.
   d. "Carryover" cases—Prior; "Excess" Income Cuts Benefits.

Family of 4:	*Amount*
Federal benefit level (quarter)	$600
State supplement level (quarter)	921

	"Countable" income	"Carryover"
Current quarter—3	$600	
Current quarter—2	1,100	0
Current quarter—1	300	$500
"Current quarter"	0	200

	Amount
Federal benefit ($600–$200)	400
State supplement subject to "H.H." ($921–$600)	321
State supplement *not* subject to "H.H."	200

3. Cases added:

a. Definition of disability.
b. AFDC earnings exempt at *application.*

4-person family—renting, King County

Current law:	Amount
Standards	$270
Work expenses	35
Cutoff income	305
HR 1:	
Standards (current)	270
Food stamp bonus	37
Total standards	307
But	
Cutoff income	521
Exempt	−60
Total	461
⅓ exempt	154
"Available" income	307

4. Administration:

H.R. 1 Eligibility—Federal Cost.

But

Non-H.R. 1 Elig.—100% *State* Cost

And

Federal funds for services *limited* to $800 million [1]—Approximately $16 million for Washington.

[1] Including Ass't for AFDC–FC and EA.

OTHER PROBLEMS

1. State Operation of State Programs and Title XIX.
2. Diffuse Service Delivery.
3. If no State Sup. Program Needs Act of State Legislature.

Fiscal summary

	Millions
H.R. 1 State costs, fiscal year 1973	$22.6

Alternatives	*State savings in millions*
1. "H.H." limit at fiscal year 1971 costs	$1.9
2. "H.H." limit at calendar 1970 costs	8.0
3. "H.H." limit at 90 percent fiscal year 1971 costs	7.2
4. Federal benefit adjusted for regional differences	3.7
5. Benefits for singles and couples	3.1
6. Number Federal limit on services	15.8

H.R. 1 has serious—
people problems;
administrative problems; and
money problems.

Welfare reform must have—
administrative feasibility;
true "hold harmless";
reasonable benefit levels; and
adequate social services.

STATE OF WASHINGTON, DEPARTMENT OF SOCIAL AND HEALTH SERVICES, ECONOMIC SERVICES DIVISION—ESTIMATED EFFECTS OF H.R. 1 IN WASHINGTON STATE, FISCAL 1973 [1]

	Expenditures		
	Total	Federal	State
I. Expenditures under current law, total	$211,202,257	$116,737,604	$94,464,653
A. Administration, total [2]	44,702,934	31,656,221	13,046,713
1. Eligibility	7,483,918	3,741,959	3,741,959
2. Services and training	36,880,377	27,660,283	9,220,094
3. WIN	338,639	253,979	84,660
B. Assistance, total	164,750,323	83,769,633	80,980,690
Old age assistance	12,363,120	6,181,560	6,181,560
Aid to blind	448,969	224,350	224,349
Disability assistance	28,500,919	14,250,459	14,250,460
Aid to families with dependent children, regular	96,553,590	48,276,795	48,276,795
Aid to families with dependent children, employable	18,713,247	9,356,624	9,356,623
Aid to families with dependent children, foster care	3,062,674	1,531,337	1,531,337
Emergency assistance	205,006	102,503	102,503
Child care	4,348,998	3,430,453	918,545
WIN transportation and clothing	554,070	415,552	138,518
C. Other, total	1,749,000	1,311,750	437,250
1. Family planning services [3]	1,749,000	1,311,750	437,250
II. Expenditures under H.R. 1, total	287,992,825	170,915,017	117,077,808
A. Administration, total [2 4]	51,154,878	23,822,557	27,332,321
1. Total services, unadjusted for limitation of Federal share	43,332,321	31,778,568	11,553,753
a. Services and training	36,880,377	27,660,283	9,220,094
b. Aid to families with dependent children, foster care [5]	3,062,674	1,627,584	1,435,090
c. Emergency assistance [5]	205,006	102,503	102,503
d. Cases added as a result of H.R. 1 (services)	3,184,264	2,388,198	796,066
2. Limitation of Federal funds for services: $16,000,000 (estimated Federal expenditures in fiscal 1972 are $26,978,189)	0	−15,778,568	+15,778,568
3. Eligibility	7,483,918	7,483,918	0
4. WIN	338,639	338,639	0
B. Assistance, total [6]	237,733,244	145,218,108	92,515,136
1. Total, unadjusted for "hold harmless"	232,830,176	132,482,478	100,347,698
2. Adjusted for "hold harmless" (calendar 1971 State share of assistance expenditures: [2] $71,775,707)	0	+7,832,562	−7,832,562
3. Child care and WIN transportation and clothing	4,903,068	4,903,068	0
C. Other, total	−895,297	+1,874,352	−2,769,649
1. Family planning services [7]	0	0	0
2. Additional CWS appropriation	0	+2,739,000	−2,739,000
3. Increase clothing and personal incidental standards to $25 for institutional patients	+2,585,703	+1,292,852	+1,292,851
4. Changes in title XIX [8]	−3,481,000	−2,157,500	−1,323,500
II. Additional expenditures under H.R. 1, total	+76,790,568	+54,177,413	+22,613,155
A. Administration	+6,451,944	−7,833,664	+14,285,608
B. Assistance	+72,982,921	+61,448,475	+11,534,446
C. Other	−2,664,297	+562,602	−3,206,899

[1] It is assumed that under H.R. 1 (1) the standards in effect in the State July 1, 1971, would continue in fiscal 1973, adjusted upwards to compensate for the loss of the food stamp bonus and (2) if a case would have been eligible to receive assistance on July 1, 1971, such a (type) case would also receive assistance during fiscal 1973.

[2] Expenditures for OAA, AB, DA, AFDC–R and AFDC–E.

[3] Medical expenditures.

[4] Federal administration of titles XX and XXI assumed.

[5] Assistance expenditures for these programs. Such expenditures are included in administration as they would be provided under title IV–A and would be included in the administrative (service) expenditures subject to limitation of Federal funds.

[6] Excludes expenditures for AFDC–FC and emergency assistance (included in administrative costs) and child care and WIN transportation and clothing (which would be paid for by Federal funds). The latter estimates, included in assistance expenditures here as Federal costs, are the estimated costs under current law. Such Federal costs would undoubtedly be different under H.R. 1.

[7] Medical care services to be provided at Federal expense, that is, no expenditures for such services in State program.

[8] Among other assumptions, it is assumed that an effective utilization review of nursing home cases would be in effect and thus (the rate of) Federal matching for nursing home expenditures would not be reduced.

COMPARISON OF ADULT AND FAMILY CASES AND ASSISTANCE EXPENDITURES[1] UNDER CURRENT LAW WITH THOSE UNDER H.R. 1, FISCAL 1973
ALL PROGRAMS, TOTAL

	H.R. 1					
		Benefits				
				State supplementation		
					Subject to "hold harmless"	
	Cases	Total	Federal	Total	Yes	No
I. Current law, total	92,147	$156,579,575	$78,289,788	$78,289,787		
II. H.R. 1, total	107,875	232,830,176	132,482,478	109,347,698	$79,608,269	$20,739,429
A. Same caseload as under current law, total	89,865	170,948,495	127,634,040	43,314,455	37,037,762	6,276,693
1. Institutional cases	4,250	1,275,000	1,275,000	0	0	0
2. Noninstitutional cases, total	85,615	169,673,495	126,359,040	43,314,455	37,037,762	6,276,693
(a) Cases with essential persons, total	1,653			1,000,836	191,760	809,076
(1) Primary recipients				191,760	191,760	0
(2) Essential persons				809,076	0	809,076
(b) AFDC room and board cases and mothers with only unborn children	3,755	4,692,537	0	4,692,537	0	4,692,537
(c) Carryovers	5,331	14,722,584	10,667,584	4,055,000	3,840,010	214,990
(d) Other cases	74,876			33,005,992	33,005,992	0
(e) Additional requirements	0	560,090	0	560,090	0	560,090
B. Lack of Federal benefits under H.R. 1 for carryovers	0	0	−10,667,584	+10,667,584	0	+10,667,584
C. Change in earnings exemptions, total	0	−1,167,523	−1,027,421	−140,102	−132,806	−7,296
1. Carryovers	0	−140,102	0	−140,102	−132,806	−7,296
2. Other cases	0	−1,027,421	−1,027,421	0	0	0
D. Child care as expense of employment, total	0	+2,512,973	+2,296,857	+216,116	+205,310	+10,806
1. Carryovers	0	+216,116	0	+216,116	+205,310	+10,806
2. Other cases	0	+2,296,857	+2,296,857	0	0	0
II. E. Exempt contributions, total	0	+2,678,756	+2,230,555	+448,201	+199,723	+248,478

1. Carryovers	0	+210,249	0	+210,249	+199,723	+10,526
2. Room and boarders and mothers with only unborn children	0	+237,952	0	+237,952	0	+237,952
3. Other cases	0	+2,230,555	+2,230,555	0	0	0
F. $4 OASDI disregard in determining Federal benefits and State supplementation	0	0	−789,750	+789,750	+789,750	0
G. Disability assistance cases added, total	+9,030	+15,662,146	+12,704,126	+2,958,020	+992,523	+1,965,497
1. Married, total	+3,883	+7,885,441	+5,462,915	+2,422,526	+457,029	+1,965,497
(a) Primary recipients				+457,029	+457,029	0
(b) Essential persons				+1,965,497	0	+1,965,497
2. Nonmarried	+5,147	+7,776,705	+7,241,211	+535,494	+535,494	0
H. AFDC cases added	+9,223	+12,626,988	+3,772,668	+8,854,320	+8,854,320	0
I. Disability assistance cases no longer disabled	+51	+78,770	+71,985	+6,785	+6,785	0
J. Increased manpower program slots, total	0	−813,267	−619,696	−193,571	−189,893	−3,678
1. Carryovers	0	−72,313	0	−72,313	−68,635	−3,678
2. Other cases	0	−740,954	−619,696	−121,258	−121,258	0
K. Public service employment program total	−294	+4,104,509	−3,123,302	−981,207	−962,694	−18,513
1. Carryovers	−23	−364,993	0	−364,993	−346,480	−18,513
2. Other cases	−271	−3,739,516	−3,123,302	−616,214	−616,214	0
II. L. Increase for food stamp bonus, total	0	+34,407,347	0	+34,407,347	+32,807,489	+1,599,858
1. Disability assistance cases no longer disabled	0	+9,750	0	+9,750	+9,750	0
2. Disability assistance cases added, married, total	0	+1,441,191	0	+1,441,191	+720,596	+720,595
(a) Primary recipients	0	+720,596	0	+720,596	+720,596	0
(b) Essential persons	0	+720,595	0	+720,595	0	+720,595
3. Disability assistance cases added, nonmarried, total	0	+955,165	0	+955,165	+955,165	0
4. Other cases with essential persons, total	0	+1,032,179	0	+1,032,179	+516,090	+516,089
(a) Primary recipients	0	+516,090	0	+516,090	+516,090	0
(b) Essential persons	0	+516,089	0	+516,089	0	+516,089
5. Mothers with only unborn children	0	+363,174	0	+363,174	0	+363,174
6. Carryovers	0	+2,318,413	0	+2,318,413	+2,318,413	0
7. AFDC cases added	0	+4,049,550	0	+4,049,550	+4,049,550	0
8. Other cases	0	+24,237,925	0	+24,237,925	+24,237,925	0

1 Includes OAA, AB, DA, AFDC-R and AFDC-E.

COMPARISON OF ESTIMATED ADULT CASES AND EXPENDITURES UNDER CURRENT LAW WITH THOSE UNDER H.R. 1, FISCAL 1973

ALL ADULT PROGRAMS, TOTAL

	H.R. 1					
		Benefits				
				State supplementation		
					Subject to "hold harmless"	
	Cases	Total	Federal	Total	Yes	No
I. Current law, total	43,883	$41,312,738	$20,656,369	$20,656,369		
A. Institutional cases	4,250	563,136	281,568	281,568		
B. Noninstitutional cases	39,633	40,749,602	20,374,801	20,374,801		
II. H.R. 1, total	50,682	75,476,081	56,995,390	18,480,691	$13,919,509	$4,561,182
A. Same caseload as under current law, total	[1] 41,601	49,463,395	44,860,398	4,602,997	3,243,996	1,359,001
1. Institutional cases	4,250	1,275,000	1,275,000	0	0	0
2. Noninstitutional cases, total	37,351	48,188,395	43,585,398	4,602,997	3,243,996	1,359,001
(a) Cases with essential persons, total	1,653			1,000,836	191,760	809,076
(1) Primary recipients				191,760	191,760	0
(2) Essential persons				809,076	0	809,076
(b) Other cases	35,698			3,052,236	3,052,236	0
(c) Additional requirements	0	549,925	0	549,925	0	549,925
B. Change in earnings exemptions	0	+148,631	+148,631	0	0	0
C. $4 OASDI disregard in determining Federal benefits and State supplementation	0	0	−789,750	+789,750	+789,750	0
D. Disability assistance cases added, total	+9,030	+15,662,146	+12,704,126	+2,958,020	+992,523	+1,965,497
1. Married, total	+3,883	+7,885,441	+5,462,915	+2,422,526	+457,029	+1,965,497
(a) Primary recipients				+457,029	+457,029	0
(b) Essential persons				+1,965,497	0	+1,965,497
2. Nonmarried	+5,147	+7,776,705	+7,241,211	+535,494	+535,494	0
E. Disability assistance cases no longer disabled	+51	+78,770	+71,985	+6,785	+6,785	0
F. Increase for food stamp bonus, total	0	+10,123,139	0	+10,123,139	+8,886,455	+1,236,684
1. Disability assistance cases no longer disabled	0	+9,750	0	+9,750	+9,750	0
2. Disability assistance cases added, married, total	0	+1,441,191	0	+1,441,191	+720,596	+720,595
(a) Primary recipients	0	+720,596	0	+720,596	+720,596	0
(b) Essential persons	0	+720,595	0	+720,595	0	+720,595
3. Disability assistance cases added, nonmarried, total	0	+955,165	0	+955,165	+955,165	0
4. Other cases with essential persons, total	0	+1,032,179	0	+1,032,179	+516,090	+516,089
(a) Primary recipients	0	+516,090	0	+516,090	+516,090	0
(b) Essential persons	0	+516,089	0	+516,089	0	+516,089
5. Other cases	0	+6,684,854	0	+6,684,854	+6,684,854	0

[1] Totals differ from those under current law only because of consolidation of companion cases.

1966

COMPARISON OF ESTIMATED ADULT CASES AND EXPENDITURES UNDER CURRENT LAW WITH THOSE UNDER H.R. 1, FISCAL 1973

OLD AGE ASSISTANCE

		H.R. 1				
		Benefits				
				State supplementation		
					Subject to hold harmless	
	Cases	Total	Federal	Total	Yes	No
I. Current law, total	18,891	$12,363,120	$6,181,560	$6,181,560		
A. Institutional cases	1,779	211,680	105,840	105,840		
B. Noninstitutional cases	17,112	12,151,440	6,075,720	6,075,720		
II. H.R. 1, total	17,334	18,804,439	12,937,604	5,866,835	$5,031,230	$835,605
A. Same case load as under current law, total	[1] 17,334	15,232,048	13,553,547	1,678,501	1,144,644	533,857
1. Institutional cases	1,779	533,700	533,700	0	0	0
2. Noninstitutional cases, total	15,555	14,698,348	13,019,847	1,678,501	1,144,644	533,857
(a) Cases with essential persons, total	498			275,148	51,360	233,788
(1) Primary recipients				51,360	51,360	0
(2) Essential persons				223,788	0	223,788
(b) Other cases	15,057			1,093,284	1,093,284	0
(c) Additional requirements	0	310,069	0	310,069	0	310,069
B. Change in earnings exemptions	0	+11,540	+11,540	0	0	0
C. $4 OASDI disregard in determining Federal benefits and State supplementation	0	0	−627,483	+627,483	+627,483	0
D. Disability assistance cases added, total	0	0	0	0	0	0
1. Married, total	0	0	0	0	0	0
(a) Primary recipients	0	0	0	0	0	0
(b) Essential persons	0	0	0	0	0	0
2. Nonmarried	0	0	0	0	0	0
E. Disability assistance cases no longer disabled	0	0	0	0	0	0
F. Increase for food stamp bonus, total	0	+3,560,851	0	+3,560,851	+3,259,103	+301,748
1. Disability assistance cases no longer disabled	0	0	0	0	0	0
2. Disability assistance cases added, married, total	0	0	0	0	0	0
(a) Primary recipients	0	0	0	0	0	0
(b) Essential persons	0	0	0	0	0	0
3. Disability assistance cases added, nonmarried, total	0	0	0	0	0	0
4. Other cases with essential persons, total	0	+603,496	0	+603,496	+301,748	+301,748
(a) Primary recipients	0	+301,748	0	+301,748	+301,748	0
(b) Essential persons	0	+301,748	0	+301,748	0	+301,748
5. Other cases	0	+2,957,355	0	+2,957,355	+2,957,355	8

[1] Totals differ from those under current law only because of consolidation of companion cases.

COMPARISON OF ESTIMATED ADULT CASES AND EXPENDITURES UNDER CURRENT LAW WITH THOSE UNDER H.R. 1, FISCAL 1973

AID TO BLIND

	H.R. 1					
		Benefits				
				State supplementation		
					Subject to hold harmless	
	Cases	Total	Federal	Total	Yes	No
I. Current law, total	456	$448,699	$224,350	$224,349		
A. Institutional cases	19	2,304	1,152	1,152		
B. Noninstitutional cases	437	446,395	223,198	223,197		
II. H.R. 1, total	443	678,235	497,436	180,799	$131,326	$49,473
A. Same caseload as under current law, total	[1] 443	595,468	504,243	91,225	48,804	42,421
1. Institutional cases	19	5,700	5,700	0	0	0
2. Noninstitutional cases, total	424	589,768	498,543	91,225	48,804	42,421
(a) Cases with essential persons, total	38			28,800	8,928	19,872
(1) Primary recipients				8,928	8,928	0
(2) Essential persons				19,872	0	19,872
(b) Other cases	386			39,876	39,876	0
(c) Additional requirements	0	22,549	0	22,549	0	22,549
B. Change in earnings exemptions	0	0	0	0	0	0
C. $4 OASDI disregard in determining Federal benefits and State supplementation	0	0	−6,807	+6,807	+6,807	0
D. Disability assistance cases added, total	0	0	0	0	0	0
1. Married, total	0	0	0	0	0	0
(a) Primary recipients	0	0	0	0	0	0
(b) Essential persons	0	0	0	0	0	0
2. Nonmarried	0	0	0	0	0	0
E. Disability assistance cases no longer disabled	0	0	0	0	0	0
F. Increase for food stamp bonus, total	0	+82,767	0	82,767	+75,715	+7,052
1. Disability assistance cases no longer disabled	0	0	0	0	0	0
2. Disability assistance cases added, married, total	0	0	0	0	0	0
(a) Primary recipients	0	0	0	0	0	0
(b) Essential persons	0	0	0	0	0	0
3. Disability assistance cases added, nonmarried, total	0	0	0	0	0	0
4. Other cases with essential persons, total	0	+14,104	0	+14,104	+7,052	+7,052
(a) Primary recipients	0	+7,052	0	+7,052	+7,052	0
(b) Essential persons	0	+7,052	0	+7,052	0	+7,052
5. Other cases	0	+68,663	0	+68,663	+68,663	0

[1] Totals differ from those under current law only because of consolidation of companion cases.

1968

COMPARISON OF ESTIMATED ADULT CASES AND EXPENDITURES UNDER CURRENT LAW WITH THOSE UNDER H.R. 1, FISCAL 1973
DISABILITY ASSISTANCE

	H.R. 1					
		Benefits				
				State supplementation		
					Subject to hold harmless	
	Cases	Total	Federal	Total	Yes	No
I. Current law, total	24,536	$28,500,919	$14,250,459	$14,250,460		
A. Institutional cases	2,452	349,152	174,576	174,576		
B. Noninstitutional cases	22,084	28,151,767	14,075,883	14,075,884		
II. H.R. 1, total	32,905	55,993,407	43,560,350	12,433,057	$8,756,953	$3,676,104
A. Same caseload as under current law, total	[1] 23,824	33,635,879	30,802,608	2,833,271	2,050,548	782,723
1. Institutional cases	2,452	735,600	735,600	0	0	0
2. Noninstitutional cases, total	21,372	32,900,279	30,067,008	2,833,271	2,050,548	782,723
(a) Cases with essential persons, total	1,117			696,888	131,472	565,416
(1) Primary recipients				131,472	131,472	0
(2) Essential persons				565,416	0	565,416
(b) Other cases	20,255			1,919,076	1,919,076	0
(c) Additional requirements	0	217,307	0	217,307	0	217,307
B. Change in earnings exemptions	0	+137,091	+137,091	0	0	0
C. $4 OASDI disregard in determining Federal benefits and State supplementation	0	0	−155,460	+155,460	+155,460	0
D. Disability assistance cases added, total	+9,030	+15,662,146	+12,704,126	+2,958,020	+992,523	+1,965,497
1. Married, total	+3,883	+7,885,441	+5,462,915	+2,422,526	+457,029	+1,965,497
(a) Primary recipients				+457,029	+457,029	0
(b) Essential persons				+1,965,497	0	+1,965,497
2. Nonmarried	+5,147	+7,776,705	+7,241,211	+535,494	+535,494	0
E. Disability assistance cases no longer disabled	+51	+78,770	+71,985	+6,785	+6,785	0
F. Increase for food stamp bonus, total	0	+6,479,521	0	+6,479,521	+5,551,637	+927,884
1. Disabil ty assistance cases no longer disabled	0	+9,750	0	+9,750	+9,750	0
2. Disability assistance cases added, married total	0	+1,441,191	0	+1,441,191	+720,596	+720,595
(a) Primary recipients	0	+720,596	0	+720,596	+720,596	0
(b) Essential persons	0	+720,595	0	+720,595	0	+720,595
3. Disability assistance cases added, nonmarried, total	0	+955,165	0	+955,165	+955,165	0
4. Other cases with essential persons, total	0	+414,579	0	+414,579	+207,290	+207,289
(a) Primary recipients	0	+207,290	0	+207,290	+207,290	0
(b) Essential persons	0	+207,289	0	+207,289	0	+207,280
5. Other cases	0	+3,658,836	0	+3,658,836	+3,685,836	9

[1] Totals differ from those under current law only because of consolidation of companion cases.

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COMPARISON OF ESTIMATED AID TO FAMILIES WITH DEPENDENT CHILDREN CASES AND EXPENDITURES UNDER CURRENT LAW WITH THOSE UNDER H.R. 1, FISCAL 1973

ALL FAMILY PROGRAMS, TOTAL

	H.R. 1					
		Benefits				
				State supplementation		
					Subject to hold harmless	
	Cases	Total	Federal	Total	Yes	No
I. Current law, total	48,264	$115,266,837	$57,633,419	$57,633,418		
II. H.R. 1, total	57,193	157,354,095	75,487,088	81,867,007	$65,688,760	$16,178,247
A. Same caseload as under current law, total	48,264	121,485,100	82,773,642	38,711,458	33,793,766	4,917,692
1. Carryovers	5,331	14,722,584	10,667,584	4,055,000	3,840,010	214,990
2. Room and boarders and mothers with only unborn children	3,755	4,692,537	0	4,692,537	0	4,692,537
3. Other cases	39,178	102,059,814	72,106,058	29,953,756	29,953,756	0
4. Additional requirements	0	10,165	0	10,165	0	10,165
B. Lack of Federal benefits under H.R. 1 for carryovers	0	0	−10,667,584	+10,667,854	0	+10,667,584
C. Change in earnings exemptions, total	0	−1,316,154	−1,176,052	−140,102	−132,806	−7,296
1. Carryovers	0	−140,102	0	−140,102	−132,806	−7,296
2. Other cases	0	−1,176,052	−1,176,052	0	0	0
D. Child care as expense of employment, total	0	+2,512,973	+2,296,857	+216,116	+205,310	+10,806
1. Carryovers	0	+216,116	0	+216,116	+205,310	+10,806
2. Other cases	0	+2,296,857	+2,296,857	0	0	0
E. Exempt contributions, total	0	+2,678,756	+2,230,555	+448,201	+199,723	+248,478
1. Carryovers	0	+210,249	0	+210,249	+199,723	+10,526
2. Room and boarders and mothers with only unborn children	0	+237,952	0	+237,952	0	+237,952
3. Other cases	0	+2,230,555	+2,230,555	0	0	0
F. Cases added	+9,223	+12,626,988	+3,772,668	+8,854,320	+8,854,320	0
G. Increase for food stamp bonus, total	0	+24,284,208	0	+24,284,208	+23,921,034	+363,174
1. Carryovers	0	+2,318,413	0	+2,318,413	+2,318,413	0
2. Mothers with only unborn children	0	+363,174	0	+363,174	0	+363,174
3. Cases added	0	+4,049,550	0	+4,049,550	+4,049,550	0
4. Other cases	0	+17,553,071	0	+17,553,071	+17,553,071	0
H. Increased manpower program slots, total	0	−813,267	−619,696	−193,571	−189,893	−3,678
1. Carryovers	0	−72,313	0	−72,313	−68,635	−3,678
2. Other cases	0	−740,954	−619,696	−121,258	−121,258	0
I. Public service employment program, total	−294	−4,104,509	−3,123,302	−981,207	−962,694	−18,513
1. Carryovers	−23	−364,993	0	−364,993	−346,480	−18,513
2. Other cases	−271	−3,739,516	−3,123,302	−616,214	−616,214	0

COMPARISON OF ESTIMATED AID TO FAMILIES WITH DEPENDENT CHILDREN CASES AND EXPENDITURES UNDER CURRENT LAW WITH THOSE UNDER H.R. 1, FISCAL 1973

AID TO FAMILIES WITH DEPENDENT CHILDREN-REGULAR

	H.R. 1					
		Benefits				
				State supplementation		
					Subject to hold harmless	
	Cases	Total	Federal	Total	Yes	No
I. Current law, total	42,144	$96,553,590	$48,276,795	$48,276,795		
II. H.R. 1, total	51,073	136,096,995	66,476,776	69,620,220	$58,314,320	$11,305,900
A. Same caseload as under current law, total	42,144	102,456,234	68,348,684	34,107,550	29,278,595	4,828,955
1. Carryovers	3,297	8,404,659	5,879,608	2,525,051	2,398,798	126,253
2. Room and boarders and mothers with only unborn children	3,755	4,692,537	0	4,692,537	0	4,692,537
3. Other cases	35,092	89,348,873	62,469,076	26,879,797	26,879,797	0
4. Additional requirements	0	10,165	0	10,165	0	10,165
B. Lack of Federal benefits under H.R. 1 for carryovers	0	0	−5,879,608	+5,879,608	0	+5,879,608
C. Change in earnings exemptions, total	0	−1,206,754	−1,102,973	−103,781	−98,592	−5,189
1. Carryovers	0	−103,781	0	−103,781	−98,592	−5,189
2. Other cases	0	−1,102,973	−1,102,973	0	0	0
D. Child care as expense of employment, total	0	+2,512,973	+2,296,857	+216,116	+205,310	+10,806
1. Carryovers	0	+216,116	0	+216,116	+205,310	+10,806
2. Other cases	0	+2,296,857	+2,296,857	0	0	0
E. Exempt contributions, total	0	+2,673,615	+2,227,121	+446,494	+198,115	+248,379
1. Carryovers	0	+208,542	0	+208,542	+198,115	+10,427
2. Room and boarders and mothers with only unborn children	0	+237,952	0	+237,952	0	+237,952
3. Other cases	0	+2,227,121	+2,227,121	0	0	0
F. Cases added	+9,223	+12,626,988	+3,772,668	+8,854,320	+8,854,320	0
G. Increase for food stamp bonus, total	0	+21,272,219	0	+21,272,219	+20,909,045	+363,174
1. Carryovers	0	+1,318,433	0	+1,318,433	+1,318,433	0
2. Mothers with only unborn children	0	+363,174	0	+363,174	0	+363,174
3. Cases added	0	+4,049,550	0	+4,049,550	+4,049,550	0
4. Other cases	0	+15,541,062	0	+15,541,062	+15,541,062	0
H. Increased manpower program slots, total	0	−683,592	−513,394	−170,198	−166,970	−3,228
1. Carryovers	0	−64,553	0	−64,553	−61,325	−3,228
2. Other cases	0	−619,039	−513,394	−105,645	−105,645	0
I. Public service employment program, total	−294	−3,554,687	−2,672,579	−882,108	−865,503	−16,605
1. Carryovers	−23	−332,092	0	−332,092	−315,487	−16,605
2. Other cases	−271	−3,222,595	−2,672,579	−550,016	−550,016	0

COMPARISON OF ESTIMATED AID TO FAMILIES WITH DEPENDENT CHILDREN CASES AND EXPENDITURES UNDER CURRENT LAW WITH THOSE UNDER H.R. 1, FISCAL 1973

AID TO FAMILIES WITH DEPENDENT CHILDREN-UNEMPLOYED FATHER

	H.R. 1					
		Benefits				
				State supplementation		
					Subject to hold harmless	
	Cases	Total	Federal	Total	Yes	No
I. Current law, total	6,120	$18,713,247	$9,356,624	$9,356,623		
II. H.R. 1, total	6,120	21,257,099	9,010,312	12,246,787	$7,374,440	$4,872,347
A. Same caseload as under current law, total	6,120	19,028,866	14,424,958	4,603,908	4,515,171	88,737
1. Carryovers	2,034	6,317,925	4,787,976	1,529,949	1,441,212	88,737
2. Room and boarders and mothers with only unborn children	0	0	0	0	0	0
3. Other cases	4,086	12,710,941	9,636,982	3,073,959	3,073,959	0
4. Additional requirements	0	0	0	0	0	0
B. Lack of Federal benefits under H.R. 1 for carryovers	0	0	−4,787,976	+4,787,976	0	+4,787,976
C. Change in earnings exemptions, total	0	−109,400	−73,079	−36,321	−34,214	−2,107
1. Carryovers	0	−36,321	0	−36,321	−34,214	−2,107
2. Other cases	0	−73,079	−73,079	0	0	0
D. Child care as expense of employment, total	0	0	0	0	0	0
1. Carryovers	0	0	0	0	0	0
2. Other cases	0	0	0	0	0	0

ESTIMATED EFFECTS IF THE FEDERAL BENEFIT LEVELS IN THE MAY 26, 1971, VERSION OF H.R. 1 WERE INCREASED, WASHINGTON STATE, FISCAL 1973

Increasing Federal benefit levels in HR 1 would provide fiscal relief to the states. The estimated effects of two possible alternatives in Washington State are described below. (All estimates are relative to savings and expenditures under the May 26, 1971 version of HR 1.)

Number in family	Annual payment per person in family		
	H.R. 1	Alternative 1	Alternative 2
1	$300	$900	$1,000
2	800	900	1,000
3	400	500	600
4	400	500	600
5	400	500	600
6	300	400	400
7	300	400	400
8	200	300	300
Level fo r4-person family	2,400	2,800	3,200

Alternative 1

If this alternative were incorporated into the May 26, 1971 version of H.R. 1, an estimated additional $16,102,500 of Federal benefit payments would be made to Washington recipients during fiscal 1973. (This estimate excludes the additional payments that would be made to recipients with very low standards—in this estimate, only cases with supplied shelter—as the additional payments to these cases would have no effect on State expenditures. The recipients would, however, receive more income.)

If the State's standards, used in the estimate of H.R. 1 (current standards, adjusted upward to allow for the food stamp bonus) were not changed, the increase in the Federal benefits would result in a corresponding decrease in State Supplementation payments.

However, in evaluating the effects of the costs of H.R. 1 to the State, under this alternative, allowance for the "hold harmless" provision must be made. Under the May 26 version, the "hold harmless" provision reduced State costs by $7,832,562—that is, the State share of expenditures, without such a provision, would have been $79,608,269; with the provision, they would be $71,775,707, the State's share of calendar 1971 expenditures.

Finally, by increasing the Federal benefit levels, the effects of the "carryover" would be reduced; the amount of income that would be assumed to be available from quarters would be reduced by $1,897,060. This would offset State Supplementation on a dollar for dollar basis.

Summary of effects of alternative 1

1. Increased Federal benefits offsetting State supplementation	$16,102,500
2. Adjustment for "hold harmless" provision	—7,832,562
3. Effects on "carryover" cases	1,897,060
Reduction of State expenditures (estimated to occur if the May 26, 1971, version of H.R. 1 enacted)	10,166,998

Alternative 2

While State expenditures would decrease even more if the Federal benefit levels in alternative 2 were implemented, there would be more families than in alternative 1 that would have standards below the Federal benefit levels (families living in supplied shelter arrangements and some families, depending upon their size and county of residence, living in their own home and making no mortgage payments). While these families would receive actual increases in total income, not all of the increase in Federal benefit payments would result in a decrease in State Supplementation. (If benefits were raised even more, e.g., $3,600 for a family of four, the number of such families and payments would increase significantly.)

Summary of effects of alternative 2

1. Increased Federal benefits offsetting State supplementation	$30,935,092
2. Adjustment for "hold harmless" provision	—7,832,562
3. Effects on "carryover" cases	4,422,000
Reduction of State expenditures (estimated to occur if the May 26, 1971, version of H.R. 1 enacted)	27,524,530

EMPLOYEE PROTECTION PROVISIONS IN VARIOUS WELFARE REFORM MEASURES

1. *H.R. 1 and H.R. 16311.*—None.

2. *Ribicoff Amendments to H.R. 1 (Amendment 559).*—

"Fair and equitable arrangements" would be made, as determined by the Secretary of Labor, to protect the interests of "all" employees of the state who presently perform the functions which would be Federalized. Those employees remaining on staff would retain their current rights (including collective-bargaining), privileges and benefits. Those terminated would receive aid in finding employment. Paid training or retraining, if necessary, would be provided.

While the general remarks in this provision imply that no employee would be worse off under Amendment 559, the specific provisions indicate that some employees would require aid in obtaining reemployment, implying that some employees would be laid off. Furthermore, although terminated employees would be helped in obtaining employment, Amendment 559 does not indicate that the benefits and rights under the new positions would necessarily be equal to those under the old. Neither does it indicate that the employees would be maintained in the old positions until new employment were obtained (unless that is the intent of the line indicating that there would be provided "assurance of priority periods of employment by the state of reemployment for employee subsequently terminated or laid off and crediting periods of employment.")

The Amendments also provide for paid training or retraining. It is not indicated whether the reimbursement for training would equal the pay received from the prior positions.

Thus, the employee protection provision appears to promise much; however, only those employees transferred to Federal employment would be certain to retain their current rights and benefits (and there is no indication of the positions that would be transferred). The "rights and benefits" and the methods by which they would be maintained are not sufficiently spelled out in the Amendments. For example, the manner in which state retirement funds would fit into the Federal system is not mentioned.

3. *H.R. 17550.*—The provisions in H.R. 17550 are similar to those in the Ribicoff Amendments. However, the determination of whether the arrangements are fair and equitable would be made by the Civil Service Commission. Excluded from this requirement would be provisions pertaining to retirement, insurance, health benefits and length of work-week, which are presumably covered by Federal law. Furthermore, the terminated employees would be assured employment (rather than aided in finding employment as in the Ribicoff Amendments); but this provision would apply to "non-supervisory" employees only.

4. *Remarks.*—

In a Region X Welfare Reform Seminar on December 7, 1971, Karl Harris indicated that the Department of HEW is working on a draft Amendment to H.R. 1. The Amendment would (1) "preserve, if possible, employee rights", (2) provide rights to Federal benefits (presumably for transferred employees) and (3) provide that Federal entrance examinations would not be required of transferred employees.

It was also indicated that no decision has been made on when the Amendment will be introduced and that there would appear to be "enough jobs for state eligibility workers".

It is almost a certainty that if a welfare reform measure becomes law, the Department of HEW would utilize the pool of state employees, regardless of whether the reform measure contained an "employee protection" provision. However, it appears almost as certain that any "employee protection" provision put forth by the Department of HEW will provide considerably less protection than might be inferred from such a title.

Neither of the initial bills advanced by HEW (H.R. 16311 and H.R. 1) contained a protection clause. H.R. 17550 (the Ribicoff Amendments of a year ago) did contain a fairly comprehensive protection clause, although it was limited to non-supervisory personnel. However, the protection clause in the latest Ribicoff Amendments (number 559 to H.R. 1) is more euphuism than protective, providing "protection" to an unspecified group of employees—those employed by the Federals—and the promise of priority hiring (by HEW or the state) and/or paid training to terminated employees. The rights and benefits to be protected, for those still employed, are not specified and even the promise of "paid training" is elusive—who would pay for the training, what would be involved in the program, which ex-employees would be eligible, etc. At this moment, it would appear unlikely that the welfare reform measure will contain any comprehensive employee protection clause.

WELFARE REFORM PROVISIONS IN THE MAY 26, 1971, VERSION OF H.R. 1

(Not updated for information received subsequent to July 15, 1971)

ASSISTANCE FOR THE AGED, BLIND AND DISABLED

The bill would create a new Title XX which would provide for the benefit payments to the aged, blind and disabled. Titles I, X and XIV (Old Age Assistance, Aid to Blind and Disability Assistance) would be deleted from the Social Security Act. Title XVI (the Umbrella Act) would be modified and would provide the legal basis for providing services to recipients of Title XX.

PART A—DETERMINATION OF BENEFITS

1. Eligibility

Each (single) aged, blind or disabled individual with income of less than $130.00 per month in fiscal 1973, $140.00 per month during fiscal 1974 and $150.00 per month in fiscal 1975 and whose resources were less than $1,500.00 would be eligible for benefit payments.

Each aged, blind and disabled individual who had an eligible spouse and whose income was less than $195.00 per month in fiscal 1973 and $200 per month in fiscal 1974 and whose resources were less than $1,500.00 would be eligible for payments.

2. Amount of Benefits

The amount of benefits (for cases with no income) would be equal to the eligibility levels indicated in paragraph 1. Eligibility and the amount of benefits would be determined and paid for by the Federal Government. The Social Security Administration would administer Title XX. However, there is no intent that this program be merged with the existing social insurance program. Separate applications and reports would be required of each program and separate checks would be issued (according to the Committee report).

3. Period for Determination of Benefits

Eligibility for benefits and the amount of such benefits would be determined for each quarter of the calendar year. The Secretary of Health, Education and Welfare would prescribe the reduction in the amount of benefit for persons applying for benefits during the quarter. Applications would be considered to be filed on the first day of the month in which they were actually filed.

4. Special Limitations on Gross Income

The Secretary would prescribe the circumstances under which gross income would be considered sufficiently large to make an individual ineligible for benefits under this title.

5. Limitation on Eligibility of Certain Individuals

Inmates of public institutions would be ineligible for benefits.

If an eligible individual were in a hospital, extended care facility, nursing home or an intermediate care facility (and had no other income) the monthly benefit to such an individual would be $25.000.

No person who was disabled as the result of drug or alcohol abuse would be eligible unless such a person were undergoing appropriate treatment for such

abuse at an institution approved by the Secretary (so long as treatment was available) and such individual demonstrated that he was complying with the requirements for such treatment.

6. Income

If an eligible individual were living in another person's household and receiving support and maintenance, in kind, from such person, the benefits otherwise applicable to such individual would be reduced by 33⅓ percent.

In determining income available to a beneficiary, there would be excluded:

(*a*) Earned income of a child attending school (there would be no minimum age limit in the blind or disabled portions of the program).

(*b*) Irregular earned income of $30 or less per quarter and irregular unearned income of $60 or less per quarter.

(*c*) For aged recipients, the first $60 of earnings per month plus one-third of the remainder; for blind recipients, the first $85 of earnings per month plus one-half of the remainder plus work expenses; for disabled recipients, the first $85 of earnings per month plus one-half of the remainder.

(*d*) Any assistance (except veterans' pensions) based on need and furnished by the State or Federal Government (State Supplementation, as indicated subsequently, would be subject to certain specified restrictions).

(*e*) The tuition part of scholarships and fellowships.

(*f*) Home produce used in the home.

(*g*) One-third of child support payments from absent parents.

(*h*) Foster care payments for a child placed in a household by a public or nonprofit child placement agency.

7. Resources

In determining resources of an individual, there would be excluded:

(*a*) The home, to the extent that its value would not exceed reasonable amounts.

(*b*) Household goods and effects to the extent that their total value would not exceed reasonable amounts.

(*c*) Other property essential to self-support. (According to the Committee report, a car used for necessary transportation, such as to obtain needed Medicare treatment, would also be excluded.)

(*d*) Resources of a blind or disabled person who had a plan approved by the Secretary for achieving self-support as may be necessary to the fulfillment of such plan.

8. Disposition of Resources

The Secretary would prescribe the manner in which property would be disposed of in order not to be included in determining an individual's eligibility for benefits.

9. Meaning of Terms

(*a*) Blindness:

Blindness would be defined as a central vision acuity of 20/200 or less in the better eye with the use of a correcting lense. An eye which was affected by a limitation in the fields of vision such that the widest diameter of the visual field subtended an angle no greater than 20 degrees would be considered as having a central visual acuity of 20/200 or less.

An individual would also be considered blind if he had received assistance under Title X or XVI during June 1972.

(*b*) Disability:

The definition of disability would be the same as that used to determine eligibility for OASDI. A person would be considered disabled if he were unable to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment which could be expected to result in death or which had lasted or could be expected to last for a continuous period of not less than 12 months (or, in the case of a child under the age of 18, having suffered from any medically determinable physical or mental impairment of comparable severity).

An individual would also be considered disabled if he had received assistance under Title XIV or XVI in June 1972.

(*c*) Trial Work Period:

For disabled persons, a trial work period would consist of a nine month period during which such person was employed. During this period such employment would not make such an individual ineligible for adult benefits (however, such earnings would be considered in determining benefit payments).

(*d*) Eligible Spouse:

An eligible spouse would mean an aged, blind or disabled individual who was the husband or wife of another aged, blind or disabled individual. (Only one of such a couple would be an "eligible individual" with the other being an "eligible spouse.")

10. Income of Individuals other than Eligible Individuals and Eligible Spouses

For purposes of determining eligibility (and benefits) for any individual who was married and whose spouse was living with him but was not an eligible spouse, such individual's income and resources would be deemed to include any income and resources of such spouse.

For children under 21, their income and resources would be deemed to include any income and resources of a parent living in the same household whether or not such resources were available to the child.

11. Rehabilitation Services for Blind and Disabled Individuals

Blind and disabled individuals would be referred to the State Vocational Rehabilitation agency for a review, not less often than quarterly, of such individual's disability and need for rehabilitation services. Such persons would be required to accept rehabilitation services made available to them. The Secretary would pay the state agency administering such state plan the cost incurred in the provision of such rehabilitation services.

12. State Supplementation

States could supplement the Federal benefits paid to the aged, blind or disabled. However, such payments would not be matched with Federal money. In addition, Federal benefits would be reduced by the amount of State Supplementation *unless* the Secretary and the State entered into an agreement. Such an agreement would be required to provide that income exempted in determining Title XX benefits would also be exempted in determining State Supplementation.

The agreement could also provide that the Secretary administer the program on behalf of the state. If such a provision were included, the Secretary could implement such procedural or general administration provisions as he found necessary. If the Secretary administered the program, he would undertake the entire cost of the administration of the program. If the state administered the program, the state would assume the entire administrative cost.

States could disregard up to $7.50 of any income in determining benefits. In addition, states could impose a residence requirement within the State Supplementation program.

PART B—PROCEDURAL AND GENERAL PROVISIONS

1. Payment of Benefits

Benefits would generally be paid monthly; however, if the monthly benefit did not exceed $10.00, it would be paid less frequently. The Secretary could establish ranges of income within which a single amount of benefit under Title XX would apply.

A cash advance of up to $100.00 could be made to presumptively eligible beneficiaries faced with a financial emergency. However, such advances would be reflected in the subsequent benefits.

Individuals eligible for benefits because of blindness or disability would continue to receive benefits through the second month following the month in which such blindness or disability ceased (so long as they were otherwise eligible for benefits).

2. Applications and Furnishing of Information

The Secretary would prescribe requirements with respect to filing applications, reporting changes in circumstances, etc. If an individual failed to submit a report of change in circumstances relevant to eligibility (or benefits), the benefits to such an individual would be reduced by $25 in case of the first such failure or delay, $50 in the second instance, and $100 in the third and subsequent instances.

3. $4.00 Pass-Along of OASDI

The Social Security Amendments of 1969 providing for the "pass-along" of $4.00 of OASDI would be amended to make such provision permanent. The pass-along would not be considered in determining Federal benefits but would be used to determine the benefits in a State Supplementation program.

ASSISTANCE FOR THE AGED, BLIND, AND DISABLED

COMMENTS

1. Eligibility

While benefits would be paid for eligible beneficiaries and their eligible spouses, persons not eligible in their own right would not be eligible for benefits. Thus some "essential" persons currently eligible for assistance, e.g., the 60 year old wife of an OAA recipient would not be eligible for Federal benefits (and presumably State Supplementation for such a person would not be subject to the "hold harmless" provision).

3. Period for Determination of Benefits

In the Committee report it is indicated that quarterly investigation of all aspects of eligibility would not be required. In those cases in which the financial status of the beneficiary fluctuated, income and resources would be examined on a quarterly basis to assure that benefits were paid on the basis of current income. For other cases in relatively stable circumstances, eligibility (and the amount of benefit) would be determined less frequently.

5. Limitation on Eligibility of Certain Individuals

In effect, "standards" for persons in institutions would be set at $25 per month and would result in additional state costs for institutional care. (While state payments for clothing and personal incidentals would be eliminated for persons with no income—other than Federal benefits from Title XX—cases with other income, such as OASDI, would, in effect, have less "available" income to meet their medical costs, e.g., costs of nursing home care.)

The ramifications of requiring persons disabled because of drug or alcohol abuse to accept treatment are not entirely clear. However, to the extent that state facilities are utilized for treatment, operational costs of such facilities would increase. (In addition, similar disabled persons receiving aid in the family programs would also be required to undergo such treatment in order to be eligible for assistance.)

6. Income

The earned income exemptions are considerably more liberal for the aged and disabled than those now in effect. Because of a combination of factors, a considerable increase in the disability portion of the caseload could be expected if a State Supplementation program were implemented. (a) A liberalized definition of disability could result in more persons with a slighter degree of disability receiving assistance. (b) All disabled beneficiaries would be referred to Vocational Rehabilitation. (c) Persons eligible, because of a disability could be employed for 9 months during a "trial work period" without being judged ineligible because of the lack of a disability. These factors, combined with the liberalized earnings, exemptions, could result in numerous additional cases.

9. Meaning of Terms

The definition of disability would appear to be broader than the current definition of the term even though the bill contains a grandfather clause that would allow cases receiving assistance in June 1972 to continue to receive assistance although they were ineligible under the new definition (!). In the Committee report, it was estimated that under the current law 40,700 adult recipients would receive assistance in Washington in fiscal 1973 while under HR 1 a total of 57,500 adults would be eligible in the State. By contrast, it was estimated that the caseload in Oregon would increase from 20,900 under current law, to 55,200 under HR 1 while in California the caseload would increase from 599,700 to 608,700. The basis of these increases has not been indicated in the report, although they are based on the assumption that the states would provide a supplementary program, including in their standards, the bonus value of the food stamps these persons would have received if they had remained eligible

for food stamps. (Adult and family beneficiaries would not be eligible for food stamps under HR 1.) It would appear reasonable to assume that the increase in projected caseloads would occur in the disability segment of the program.

Blind or disabled children under 21 years of age would be eligible under Title XX. The parents' income and resources would be considered in determining eligibility.

11. Rehabilitation Services for Blind and Disabled Individuals

All blind or disabled persons would be referred to the state agency administering the state plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act. (In addition, incapacitated persons receiving aid in the family programs would also be referred to vocational rehabilitation.) Such mandatory referrals could result in as many as 40,000 or 50,000 referrals to that agency. (Currently, there are about 20,000 DA cases and an estimated 3,700 incapacitated fathers receiving AFDC–R in Washington State.)

12. State Supplementation

The state could implement a supplementation program for recipients of Title XX. However, if the Secretary and the state did not enter into an agreement, the amount of Federal benefits paid to a recipient would be reduced by the amount of supplementation paid to the recipient. (In addition, if no agreement were reached, the expenditures by the state for supplementation would not be subject to the savings provision—see Limitation on Fiscal Liability of States.)

As indicated, eligibility would be determined quarterly (although most recipients would receive a monthly check). Such quarterly determinations would have little effect on caseloads. (This is not true of the family programs, however; because of a "carry over" provision for those families, many cases currently eligible for assistance would no longer be eligible under H.R. 1.)

Some adult households would be eligible for considerably less assistance under H.R. 1 than under current law. In families in which a spouse was not eligible in her own right, benefits would be paid for only the eligible individual, e.g., $130 rather than $195 for an eligible individual and an eligible spouse. Possibly, such a discrepancy could be corrected under a State Supplementation program. However, such an assumption is questionable. All indications in the Committee report are that a supplementation program would, in effect, merely increase standards for those persons *eligible* for Title XX.

While limiting the supplemental program in such a manner would affect relatively few persons in the adult program, it would have very profound effects in the family programs.

FAMILY PROGRAMS

The Bill includes a new Title XXI which would provide benefit payments to families with children. Title IV would be amended to provide social services to recipients of Title XXI. The Department of Labor would administer Part A of Title XXI, the Opportunities for Families Program (OFP), a program for families with persons available for employment. The Department of Health, Education and Welfare would administer Part B of the title, Family Assistance Plan (FAP), a program for families with no employable persons. While benefits would be paid through two separate departments, the Secretary of HEW, with the concurrence of the Secretary of Labor, would prescribe the regulations, so that uniform regulations would prevail in both programs.

PART A—OPPORTUNITIES FOR FAMILIES PROGRAM (OFP)

1. Registration of Family Members

Every member of a family determined employable (by the Department of HEW) would be required to register with the Department of Labor for manpower services. A person would be considered available for employment unless he (she) was determined to be:

(*a*) Unable to engage in training because of illness, incapacity or advanced age;

(*b*) A mother of a child under the age of three (or until July 1974, age 6);

(*c*) A mother, if the father were in the home and registered for manpower services;

(*d*) A child under the age of 16 or under 22 and attending school;

(*e*) Needed in the home because of the incapacity of another household member.

Persons considered not available for employment could volunteer for OFP, unless they were incapacitated.

2. Employment

Registered persons would not be required to accept employment if:

(*a*) The position was offered because of a labor dispute;

(*b*) The wages and hours offered were less than those prescribed by Federal, state or local law or were less than those prevailing for similar work or the wages were less than $1.20 per hour;

(*c*) Membership was required in a company union (or membership in a bona fide labor organization was restricted);

(*d*) The individual had demonstrated the capacity, through other training or employment opportunities, of securing work available to him that would better enable him to achieve self-sufficiency.

3. Child Care

The Secretary of Labor would make provisions for providing needed child care for participants. The Secretary would purchase the child care from any available source (meeting the Department of HEW's standards), but would give priority to sources developed by HEW.

Families receiving child care service would participate financially (in accordance with schedules developed by HEW):

Participants in the manpower program would be trained for employment in child care facilities.

For fiscal 1973, a total of $700,000,000 would be authorized for child care services provided by the Departments of HEW and Labor. Of the amount appropriated to the Secretary of Labor (the amount is not indicated), at least 50 percent would be allocated among states on the basis of the number of registered mothers in the states.

4. Other Supportive Services

The Secretary of Labor would provide health, vocational rehabilitation, counseling, social and other supportive services (including physical examinations and other minor medical services) necessary. In addition, family planning services would be offered on a voluntary basis. However, the Secretary would maximize the use of existing facilities, programs and agencies in providing these services.

For fiscal 1973, a total of $100,000,000 would be authorized for providing supportive services.

5. Operation of Manpower Services

The Secretary would develop an employability plan for each registrant. Priority would be given to mothers and pregnant women under 19 years of age.

The manpower program would include:

(*a*) Any services, training and employment which the Secretary is authorized to provide under any other Act;

(*b*) Counseling, job development, job placement, follow-up services, etc;

(*c*) Relocation assistance; and

(*d*) Public service employment programs.

A total of $540,000,000 would be appropriated for carrying out these provisions (excluding public service employment).

6. Public Service Employment

This program would provide jobs in areas such as health, environmental protection, welfare, etc, which would benefit the community, state or county and would provide employment for participants not able to obtain regular jobs or be effectively placed in training programs.

The Secretary of Labor would provide for grants or contracts with public or non-profit private agencies for the establishment of such programs. However, assurance would be required that:

(*a*) Appropriate standards for health and safety would be established;

(*b*) Available employment opportunities would be increased and that the program would not result in a reduction in the employment and labor costs of any employer;

(*c*) The conditions of the employment were reasonable;

(*d*) Workmen's compensation was provided; and

(*e*) The employability of the participants would be increased.

The wages paid to an individual would be required to be equal to the highest of:

(*a*) The local prevailing rate of wages for similar occupations;

(*b*) The applicable Federal, State or local minimum wage; or

(*c*) The highest Federal minimum wage (currently, $1.60 per hour).

The Secretary would review the employment record of each participant at least every six months (with intent of placing the individual in regular employment or training if possible).

Payments for not more than three years would be made for an individual's employment. Payments could not exceed 100 percent of the cost of employment during the first year, 75 percent the second and 50 percent the third year.

In fiscal 1973, an appropriation of $800,000,000 would be available for public service employment.

7. Information Concerning Job Opportunities in States

States and their political subdivisions receiving Federal assistance would be required to furnish listings of job vacancies in positions or programs wholly or partially funded by Federal funds.

8. Training Allowances

A monthly allowance of $30 would be paid by the Secretary to each individual in a training program. In addition, allowances would be paid for transportation and other costs necessary to participate in training.

9. Rehabilitation Services for Incapacitated Family Members

Members of a family receiving OFP benefits who were not considered available for employment because of an incapacity would be referred to the state agency providing services under the Vocational Rehabilitation Act and the individual's need for and utilization of services would be reviewed at least quarterly. If services were offered, acceptance of such services would be mandatory (unless good cause existed to reject such services).

Each family member receiving such services would be paid a $30 monthly incentive allowance by the Secretary, as well as transportation and other related costs.

PART A—OPPORTUNITIES FOR FAMILIES PROGRAM (OFP)—COMMENTS

1. Registration of Family Members

The Department of HEW would determine initially if a family included a member available for employment. However, because the definition of employability is very specific, a minimum of interpretation would be involved.

It appears probable, because the definition of employability is so precise, that in practice it would require modification—the inevitable exceptions would occur. Moreover, it would appear to be of questionable merit to omit the consideration of the number of children in the family. The employable status of a mother with eight children, for example, is very questionable.

3. Child Care

Child care provided under Title XXI would apparently be paid for entirely by Federal funds (and parent participation). The Secretary of HEW would determine child care facility standards and would develop new facilities when needed (an additional $50,000,000 appropriation for fiscal 1973 would be made available for this purpose). Whenever possible, the Secretary of Labor would utilize facilities developed by the Secretary of HEW. The latter would also develop a schedule for parental participation in the cost of child care.

Normally families receiving wages and requiring child care would pay for the cost of their child care. This expense would be considered a (deductible) work expense for purposes of determining the amount of benefits for which the family would be eligible under Part C (child care expenses would be treated similarly for State Supplementation). Normally, families in which a member was in a training program (or vocational rehabilitation) would have their care purchased for them by the Department of Labor. (In the Committee report it was indicated that possibly vouchers for child care might be issued to these families.) Thus, the $700,000,000 appropriation for child care would not reflect the total cost of such care.

4. Other Supportive Services

While it is indicated that the Secretary of Labor would provide these services when required, it is also indicated that he should make the maximum use of existing facilities, programs and agencies. Thus, while (in the Committee report)

it is indicated that the Secretary of Labor would provide family planning services when requested, it is unclear how he would provide these. Such services would be available through Title IV–A, Grants to States with Family and Child Welfare Services, the cost of which would be 75 percent Federal share and 25 percent state share. Similarly, "minor medical services," available through Title XIX, might in fact be a cost to that program.

5. Operation of Manpower Services

In the Committee report it is indicated that priority should be given to teenage mothers (presumably pregnant mothers could volunteer for the OFP) since they would be most likely to benefit from training. Such mothers would be helped to finish high school if at all possible.

The report indicates that about 225,000 training opportunities would be provided (in addition to the 187,000 training opportunities now in the WIN program). (In an earlier section, it is indicated, however, that there would be an additional 412,000 slots.) The Bill would also provide for 200,000 public service employment opportunities.

6. Public Service Employment

The Committee report is somewhat ambiguous about the type and function of the jobs provided under this segment of the program. It is indicated that these jobs are not intended to be used on a long-term, permanent basis to support individuals—they should be viewed as "transitional employment" that will help prepare individuals for regular employment.

However, the Committee also indicates that the Bill contains incentives for employers to move participants on to regular payrolls by progressively reducing Federal matching share. (Since participants could not replace existing jobs, it is unclear what sort of incentive is contained in this feature.)

Local agencies receiving Federal funds would be required to submit routinely a list of vacancies to the Department of Labor. The report indicates that these agencies would "be expected to do their share of hiring beneficiaries when they do have vacancies . . . these agencies would be required to establish goals for hiring beneficiaries but an agency would not be required to hire every individual that is referred. It is not the intent that such agencies be forced to hire unqualified people."

PART B—FAMILY ASSISTANCE PLAN (FAP)

1. Payment of Benefits

Eligible families, in which there was no member available for employment, would be eligible for benefits under this part.

2. Rehabilitation Services for Incapacitated Family Members

Any incapacitated member of a family would be referred to vocational rehabilitation where his need for services would be reviewed at least quarterly (unless his incapacity were permanent). It would be mandatory upon the individual to accept services made available to him. Persons receiving services would also receive an incentive allowance of $30 per month from the Department of HEW plus an allowance for transportation and other necessary allowances.

3. Child Care and Other Supportive Services

The Department of HEW would purchase the necessary child care (for persons in vocational rehabilitation) including necessary transportation, placing priority on the use of child care facilities developed by the Department of HEW.

The Secretary could require families to participate in the cost of child care (in accordance with a schedule developed by him).

The Secretary would offer family planning services to all appropriate members of families who were in the OFP (Part A).

4. Standards for Child Care

The Secretary of HEW (with the concurrence of the Secretary of Labor) would establish standards assuring the quality of child care services. He would also develop schedules for family participation in the cost of child care, based on ability to pay such costs.

The Secretary would be authorized to make grants to any public or non-profit through grants or contracts with public or private non-profit agencies. For any fiscal year, $50,000,000 would be appropriated for such purposes.

The Secretary would be authorized to make grants to any public or non-profit agency or organization for the cost of planning, establishment, operation (to 24 months) and other costs for projects to determine more effective methods of providing child care.

PART C—DETERMINATION OF BENEFITS

1. Determination of Benefits

The Department of Labor would determine benefits for families in the OFP and the Department of HEW would determine benefits for families in FAP; however, all such determinations would be in accordance with regulations prescribed by the Secretary of HEW (with the concurrence of the Secretary of Labor).

2. Eligibility for and Amount of Benefits

Otherwise eligible families whose income was at a rate of not more than: $800 per year for each of the first two members of the family; plus $400 per year for each of the next three members; plus $300 per year for each of the next two members; plus $200 per year for the next member; and whose (non-excluded) resources were not more than $1,500 would be eligible.

Benefits (to families with no available income) would be paid at the above rate.

The maximum amount a family could receive (regardless of size) would be $3,600 per year.

No benefit payment would be made if the rate of payment would be less than $10 per month.

Payments would not be made for family members available for employment who failed to register with the Department of Labor or who refused services or employment.

3. Period for Determination of Benefits

Benefit payments for any quarter would be based on an estimate of the family's income during that quarter and the income of the family during the three preceding quarters. The benefit for which a family was actually eligible would be determined in the quarter following the quarter in which the benefit was paid. An adjustment would be made if the estimate was more or less than the actual amount determined payable.

The Secretary would establish to what extent a benefit for any quarter would be reduced because of the lapse of time between the beginning of the quarter and the date of application.

An application filed on any day of the month would be deemed to have been filed on the first day of the month.

4. Biennial Reapplication

After a family had been paid benefits for 24 consecutive months, no additional benefits would be paid until the family had filed a new application.

5. Special Limits on Gross Income

The Secretary could prescribe the circumstances under which the gross income from a trade or business was large enough to preclude eligibility.

6. Ineligible Individuals

A person who was incapacitated solely because of drug or alcohol abuse would be considered a family member (for purposes of determining the amount of family benefit) only if he were undergoing treatment (if available) at an institution or facility approved by the Secretary.

7. Income

Benefits would be reduced by the amount of income available to the family. However, in determining the family income, there would be excluded:

(*a*) Earnings of a student;

(*b*) Irregular unearned income not exceeding $60 per quarter; and irregular earned income not exceeding $30 per quarter;

(*c*) Part or all of the cost of child care (according to a schedule prescribed by the Secretary) necessary for employment or training.

(The total income excluded by these three exemptions could not exceed $2,000 plus $200 for each member of the family in excess of 4, with an absolute maximum $3,000 per year).

(*d*) The first $720 per year (or proportionately smaller amounts for shorter periods) of earned income plus one-third of the remainder;

(*e*) Any assistance (except veterans' pensions) based on need and furnished by the state or Federal Government (State Supplementation would not be exempted if an agreement were not in effect between the Secretary and the state);

(*f*) Training allowances (including up to $30 per month which the state could pay if it so chose);

(*g*) The tuition portion of scholarships or fellowships;

(*h*) Home produce;

(*i*) One-third of child support and alimony received by the family; and

(*j*) Foster care payments for a child placed in the family by a child placement agency.

8. Resources

In determining resources of a family there would be excluded:

(*a*) A home, to the extent its value did not exceed a reasonable amount;

(*b*) Household goods and personal effects not in excess of a reasonable amount;

(*c*) Other property essential to the family's self-support;

The cash surrender value of insurance policies would be considered, except that if the face value of all insurance policies was $1,500 or less, the value would be disregarded.

9. Disposition of Resources

The Secretary would prescribe the conditions under which property must be disposed of in order not to be included in determining the family's eligibility for benefits.

10. Definition of Family

A family would be defined as two or more persons—

(*a*) Related by blood, marriage or adoption,

(*b*) Who lived in a place of residence maintained as a home by one or more of them;

(*c*) Who were residents of the U.S. and one of whom was a citizen or an alien lawfully admitted for permanent residence and

(*d*) At least one of whom was a child dependent upon another of such individuals.

A present temporarily absent because of employment (incldng military service) would be considered to be living in the residence.

Groups in households headed by students regularly attending college would not be considered families.

11. Definition of Child

The term "child" would mean an individual neither married nor head of the household and under the age of 18 or under 22 and regularly attending school.

12. Recipients of Assistance Under Title XX

If an individual were receiving assistance under Title XX, such a person would not be regarded as a member of the family for purposes of determining the amount of benefits of the family under Title XXI, nor would his income or resources be counted under Title XXI.

13. State Supplementation

The state could make regular cash payments to persons receiving benefits under Title XXI, or who would, but for their income, be eligible to receive Federal benefits. Such payments would not be counted as available income (in determining Federal benefit payments) only if an agreement between the Secretary and the state were reached (such an agreement could provide that the Secretary would administer such supplementary payments).

Such an agreement would include the requirements that:

(*a*) In determining eligibility for supplementation, the income exclusions (including earnings incentives) used to determine Federal benefits, would also be used for determining supplementation. (Federal benefits would be considered available income, however, for purposes of determining supplementation).

(*b*) If the agreement provided that the Secretary would make the supplementary payments, the state could elect to exclude such payments to (1) the

"working poor" (neither parent incapacitated, and the male parent not unemployed) or (2) AFDC–E—like families (the male parent unemployed).

(c) The Secretary, if he administered the program, would prescribe such rules about eligibility, amount of supplementary payments and administrative provisions which he found necessary to insure efficient and effective administration of both the Federal and state programs.

The state could include a residence requirement in its supplementation program.

If the state had an agreement which included a provision for the Secretary to administer the program, the administrative costs of the supplementation program would be paid by the Federal government. If the state administered the program, the state would pay the entire administrative cost.

PART C—DETERMINATION OF BENEFITS—COMMENTS

2. Eligibility for and Amount of Benefits

Although the Bill contains no specific sections on how eligibility would be determined, the Committee report is very explicit. A Social Security number would be used to identify every recipient. Each family member not having a number would be issued one at the time of application. The number would be cross-checked with other Social Security information files, as well as against files of the Veterans Administration, Internal Revenue Service, Civil Service Commission and the state employment service. Regular periodic checks against these data files would be made.

Interviews would be conducted as part of the application process. If there were questions about the accuracy of the statements on the application, field investigations would be conducted prior to authorizing benefits.

Validation and review control checks would be conducted for a selected sample. Verification would involve checking each element of eligibility "in great detail", e.g., a birth certificate would be checked against the public record it purports to represent.

3. Period for Determination of Benefits

Benefit payments would ordinarily be made on a monthly basis. However, the amount of benefits for which a family was eligible would be determined on a quarterly basis (presumably, the monthly payment would be one-third of the quarterly benefit). In addition, "countable" income in excess of the benefit level for any quarter would reduce the benefit payment for the current quarter. For example, a family of four applied for benefits and had no countable (available) income during the current quarter (the quarter in which they applied); their benefit level would be $600 for the quarter (one-fourth of $2,400). However, if they had $750 of countable income in the immediately preceding prior quarter (and no countable income during the two quarters preceding the prior quarter), their benefit for the current quarter would be reduced by $150, the excess ("carryover") over the maximum benefit level during the prior quarter.

Income during all three preceding quarters would be considered in determining the benefits for the "current" quarter. For example, suppose a four person family had "countable" income of $600 in the third preceding quarter, $1,100 in the second preceding quarter, $300 in the immediately preceding quarter and no income in the current quarter. In the third preceding quarter, the $600 of countable income would offset any benefit payment. However, in the second preceding quarter, the $1,100 income would have exceeded the benefit level by $500; thus no benefits would be paid and $500 would be carried over to the immediately preceding quarter. Since the family would have had $300 of income during the immediately preceding quarter and $500 carried over, they would still have $200 to "carryover" to the current quarter. Thus, the $200 would be applied against the $600 benefit level, and the family would receive $400 of benefits for the quarter.

Normally, income would be estimated for a "current quarter" and the payment for the quarter would be based upon this estimation. However, determination of the actual amount of benefits for which a family was eligible would be determined on the basis of the actual income of the family. (Families would mail such data to the Secretary quarterly.) Thus, benefit payments in a subsequent quarter would be adjusted for the difference between the estimate and the actual income received.

To determine countable earned income for a quarter, the first $180 (one-quarter of $720) plus one-third of the remainder would be exempted.

Because of the "carryover" provision, many families applying for benefits without income and otherwise eligible for benefits, would receive no Federal benefits (for up to 12 months) because of the income received by the family during the prior year. (Such families would currently be eligible for AFDC unless they had excess resources.) With no "current" income, either Federal benefits or otherwise, the only source of relief would consist of state programs.

It is possible that a State Supplementation program, which would be acceptable to the Federals, could be implemented to meet the needs of these families. However, such an assumption would be hazardous. The Committee report implies that a State Supplementation program would be identical to the Federal program, but with higher benefit levels. (The language describing the supplementation program provides the Secretary with considerable latitude so that there is some possibility that an acceptable program could be implemented.)

In the Committee report it is indicated that the Committee is aware of the general assistance programs operated at state expense, and that these "efforts to meet extraordinary and individualized instances of need will form an important complement to the new Federal welfare programs which attempt to meet need in its more predictable and chronic forms." Given the magnitude and predictability of such a problem, the Committee's intent is unclear. It is possible that the problem was not considered.

7. Income

Child care costs would normally be paid by a family with earnings from such earnings. The cost would then be a deductible expense for determining benefits (both Federal and State Supplementation). However, for a family of four, the total amount that could be exempted would be $2,000 per year. Such an amount would increase by $200 for each family member, up to a maximum of $3,000. In addition, this limitation would also include the amount of earnings that could be exempted by a student as well as irregular earned and unearned income. The committee intended, by placing such qualifications, to exclude benefit payments to families with large incomes.

However, even if a family had no student earnings or irregular income, the limitation would be inconsistent with other provisions of the bill. Child care, at $5 per day, costs about $1,250 a year per child. At such a rate, the child care costs of two children would not be met by this provision. Moreover, the Committee, in its report, indicated that child care "should not be care of low quality, but should include educational, health, nutritional and other needed services whenever possible." It is unclear how the financial limitation in the bill could fit into this desired level of child care.

As indicated, child care would be considered a work expense. If a State Supplementation program were implemented in Washington State, using current standards, numerous working mothers not now eligible for assistance, would become eligible because of this provision and thus be eligible for the earnings exception. (Many additional mothers would be eligible, even without this child care provision, since the income deductions would be applied at the time of application—not, as under current policy, just to recipients.)

10. Definition of Family

The Committee was very definite in denying benefits to college students. It is stated in the report, "as indicated earlier, if the family head is an undergraduate or graduate student regularly attending school full time, that family does not qualify under the program." Presumably, this would mean that college programs would not be part of the manpower services program. However, some Department of Labor programs (which the Secretary of Labor, according to this bill, must utilize in the manpower program) do provide for college programs.

It is also indicated in the bill that the income and resources of a person not available to the rest of a family would not be considered in determining the amount of benefits nor would such an individual be considered a family member. However, this rule would not apply to parents or their spouses. Thus, income and resources of a step-parent living in the household would be included in determining a family's eligibility for benefits.

It would appear that, generally, a child living with a non-needy relative, would not be eligible for benefits (either Federal or State Supplementation). Such children (but not the relative) are currently eligible for AFDC–R.

11. Definition of a Child

In the Committee report it is stated that an unborn child would not be included in the definition of a child. Thus, families in which the unborn would be the only "child" would not be eligible for Federal or State Supplementation. Currently, such families are eligible for AFDC.

13. State Supplementation

If a state chose to implement a supplementation program, it would be required to enter into an agreement with the Secretary; if it did not, payments made under the program would be considered available income to the recipients and Federal benefits to the recipients would be reduced by a corresponding amount.

In addition, the states could, within the agreement, provide for the Secretary to administer the supplementation program at Federal expense (if a state administered the program it would be entirely at the state's expense). In addition, only expenditures made under programs administered by the Secretary would be subject to the "hold harmless" clause. Thus, while states would have the technical right to administer the supplementation programs for adults and families, the price could be so excessive as to be prohibitive.

As indicated earlier (Period for Determination of Benefits), it is questionable if a supplementation program could be implemented to meet the needs of families, who except for their income during the preceding 12 months, would be eligible for benefits. In the Committee report it is stated, "In general, it is anticipated that the same rules and regulations would be applied to both Federal and state supplemental payments with the only difference being the level of such payments. However, the Secretary could agree to a variation affecting only the state supplemental if he finds he can do so without materially increasing the costs of administration and if he finds the variation consistent with the objectives of the program and its efficient administration."

PART D—PROCEDURAL AND GENERAL PROVISIONS

1. Payment of Benefits

The Secretary could establish ranges of incomes within which a single amount of benefits would apply.

2. Emergency Advances

An emergency payment of no more than $100 could be made to a family initially applying for benefits (who was presumptively eligible for benefits). Such payments would be deducted from future benefits.

3. Overpayments and Underpayments

Adjustments to future payments or recoveries from or payments to individuals would be made in the case of overpayments or underpayments. However, families without fault would not be penalized if adjustment or recovery would defeat the purpose of the program, be against equity or good conscience or impede efficient administration.

4. Hearings and Review

An individual could request a hearing within 30 days after a determination (on eligibility, amount of benefits or registration and participation in manpower services). A determination of the hearing would be made by the Secretary within 90 days after the hearing. The final determination would be subject to judicial review unless such determination was based on fact.

5. Information Required of Families

The Secretary would prescribe regulations with respect to information needed to determine eligibility and amount of benefits. Families receiving benefits would be required to submit quarterly reports on their income within 30 days after the close of the quarter. Failure to submit the quarterly report within 30 days would result in the suspension of benefits. Failure to submit required data, or willful delay in submittal would result in benefits being reduced by: (*a*) $25 for the first failure or delay; (*b*) $50 for the second failure or delay; and (*c*) $100 for the third or a subsequent failure or delay.

6. Fraud

A penalty of $1,000 or one year imprisonment, or both, could be imposed for fraud.

7. Administration

The Secretaries of HEW and Labor could both perform any of the functions under Title XXI (including determination of Medicaid eligibility if such an arrangement were made with a state) directly, or by arrangements or contracts.

8. Obligation of Deserting Parents

Deserting parent(s) would be obligated to the United States for the amount of benefits paid to his family during his absence. Such an obligation, however, could not exceed the amount ordered by a court, less any payments actually made under such an order. The amount due would be collected from any amounts due to the deserting parent from any agency of the United States.

9. Interstate Flight to Avoid Parental Responsibilties

A parent who "moves or travels in interstate commerce" for the purpose of avoiding responsibility for the support of a child (receiving Title XXI benefits) would be guilty of a misdemeanor and subject to a fine of up to $1,000, or imprisonment for not more than one year, or both.

10. Local Committees to Evaluate Manpower Program

Local advisory committees would be established (at least one in each state) to evaluate the manpower program and other related aspects of Title XXI designed to help recipients become self-supporting. Each committee would have representation of "labor, business, the general public, and units of local government not directly involved in administering [the program]."

11. Authorization for Child Care Services

A total of $700,000,000 would be authorized for child care for fiscal 1973 (in addition to the $50,000,000 that would be authorized for development of child care facilities).

PART D—PROCEDURAL AND GENERAL PROVISIONS—COMMENTS

3. Overpayments and Underpayments

Overpayments and underpayments would be a definite administrative problem. Since benefits for a quarter would be based on an estimate of income for that quarter and adjustments would be made during the next quarter for the differences between the estimated and actual income, numerous adjustments would be anticipated.

To further complicate this problem, adjustment of the Federal benefit could also necessitate an adjustment of State Supplementation in those states where such a plan was in effect. These adjustments would undoubtedly require a very considerable amount of manpower and data processing time.

5. Information Required of Families

While such a report would be necessary to the operation of the program, it would undoubtedly create an enormous volume of paperwork, including additional correspondence resulting from inaccurate reports. Comparison of these reports with earning records (which the Committee indicates should be done), would likely involve considerable manpower requirements.

6. Fraud

In the Committee report it is indicated that every person attempting to obtain payments by unlawful means should be prosecuted. "The significance of this requirement [prosecution] goes beyond the potential costs of pursuing the prosecution; prosecutions should not be dropped because the amount of money involved is small or the cost of the prosecution is high. It is much more important that the public confidence in the integrity of the program be maintained."

7. Administration

It is unclear with whom such contracts would be made. The Committee report indicates that contractual arrangements between DHEW and DOL would provide integrated administration of the two programs nationally. "Field installations would perform the income maintenance functions with respect to all families in the OFP and FAP."

8. Obligation of Deserting Parents

The provisions for recovery would appear rather weak since the only way to recover funds would be from Federal monies owed to the deserting parent. It is unfortunate that some provision cannot be made for parents absent for

reasons other than desertion. Applicants for assistance, the Committee report indicates, would be expected to cooperate in every way possible in assisting authorities to identify and locate deserting parents.

The immediate results of such requirements, if successful, would reduce Federal benefit payments. However, State Supplementation would be affected to only a minor degree.

PART A—EFFECTIVE DATES AND GENERAL PROVISIONS—MISCELLANEOUS

1. Effective Dates

The adult (Title XX) and family (Title XXI) programs (except payments to the "working poor") would become effective July 1, 1972.

The "working poor" segment of Title XXI would become effective January 1, 1973.

The amendments relating to child care would become effective upon enactment of the Act.

2. Prohibition Against Participation in the Food Stamp Program

Persons and families determined eligible for Titles XX or XXI would not be eligible to participate in the Food Stamp program.

If the Secretary so elected, the Federal agency administering Titles XX and XXI could administer the Food Stamp program as well.

While these amendments would become effective July 1, 1972, the Secretary could postpone the effective date for up to 30 days for persons becoming (newly) eligible for Titles XX and XXI (in order to avoid interruption of their income).

3. Limitation on Fiscal Liability of States for Optional State Supplementation

If a state had an agreement with the Secretary under which the latter administered the State Supplementation program, the state would be guaranteed that its supplementation for Titles XX and XXI (for any year) would not exceed the state share of expenditures for OAA, AB, DA and AFDC during calendar 1971.

The guaranteed limit (calendar 1971 expenditures) would be defined as the difference between—

(*a*) The total expenditures for assistance under such plans, excluding expenditures for emergency assistance, AFDC–FC, home repairs (Section 1119), and expenditures for ICF patients; and

(*b*) The Federal share for OAA, AB, DA and AFDC.

Supplementation expenditures subject to the guarantee would be limited to expenditures for those persons (1) required to be included in a supplementation agreement (payments to the "working poor" and AFDC–E would not be subject as supplementation to these families would be optional) and (2) who would have been eligible, if they had met the income test, for payments under the state plan in effect for January 1971.

The guarantee would only apply to the "adjusted payment level in the state". This term would mean the payment (level) a person or family (with no income) would have received under the state plan in effect January 1, 1971; except that the state could increase its payment level by the bonus value of food stamps (in the state in January 1971). (For purposes of determining the amount of food stamp bonus, it would be assumed that the individual—or family—would have had income equal to the state's payment level in January 1971. The total face value and cost of the coupons would be determined in accordance with the rules of the Secretary of Agriculture in effect in January 1971.)

4. Determination of Medicaid Eligibility

State could enter into agreements under which the Secretaries of HEW and/or Labor would determine eligibility for Title XIX. States would be required to pay half of the costs necessary to carry out the agreement. In computing the costs, for persons eligible under Title XX or part A or B of Title XXI, only those costs which would be additional to the costs incurred under Titles XX or part A or B of Title XXI would be included.

5. Transitional Administrative Provisions

In order for a state to be eligible for Federal payments under Titles IV, V, XVI and XIX, a state would be required to enter into agreements with the Secretaries of HEW and Labor whereby the state would administer Titles XX and XXI during all or part of fiscal year 1973. However, states would not administer

the manpower service program, child care provisions of this Act or the part of the program for the "working poor."

6. Child Care Services for AFDC Recipients During Transitional Period

Until June 30, 1972, the Secretary of HEW could provide child care services to families would be eligible for services under Title IV–A and who would need child care services for employment or participation in WIN, under the provisions of Title XXI, Part B (FAP program).

PART A—EFFECTIVE DATES AND GENERAL PROVISIONS—COMMENTS—MISCELLANEOUS

2. Prohibition Against Participation in the Food Stamp Program

The Bill indicates that persons determined eligible for Titles XX or XXI would be ineligible for food stamps. Thus, presumably, persons and families eligible but not applying, for receiving such benefits would not be eligible for food stamps.

Amendments to the Food Stamp Act would also provide that if the Secretary elected, the Federal agency administering Title XX or XXI could administer the Food Stamp program. There is no indication of the conditions under which the Secretary would so elect. If he so decided, presumably the administrative costs would be carried by the Department of Agriculture and the Department of HEW.

3. Limitation on Fiscal Liability of States for Optional State Supplementation

The concept of this "hold harmless" provision is simple enough: state expenditures, up to its January 1971 standards (adjusted to include an alowance for the food stamp bonus) would be limited to the state share of expenditures (for persons in the equivalent programs) during calendar 1971. However, several of the provisions in this section are confusing or misleading.

The supplementation subject to the guarantee would not include expenditures for (1) families (or persons) not required by the Bill to be included in the agreement (with the Secretary) for supplementation. Section 2156 (supplementation to families) indicates that if the Secretary administers the program, payments would be made to all families in the state who were receiving benefits under Title XXI, "except that the State may, at its option, exclude —" (a) "working poor" families and (b) AFDC–E families. Thus, if a state provided supplementation it would not need to provide supplementation to these latter families; therefore, the supplementation not being required, it would not be subject to the guarantee.

(2) In addition, supplementation to persons and families who "would have been ineligible (for reasons other than income) for payments under the appropriate approved state plan as in effect for January 1971" would not be subject to the guarantee. While all of the implications of this provision are not clear, it would certainly mean that some of the expenditures for cases receiving supplementation would not be subject to the limitation. For example, the new definition of disability assistance would result in additional cases (who would not have been eligible in January 1971): the provision for a "trial work period" would result in persons no longer disabled being eligible for assistance (for nine months): the new earnings exemptions would create newly eligible cases. Under this provision, supplementation to these cases would presumably not be subject to the guarantee.

Many more AFDC–R cases would be eligible under HR 1 than are now eligible because earnings would be subject to the earnings exemption at time of application. Treating child care expenses as a work expense would also add cases. It is not clear, under this provision, if expenditures for these cases would be subject to the limitation or not (families to be excluded, would need to be ineligible "for reasons other than income"). Nevertheless, it is apparent that separate eligibility determinations, one under the supplementation regulations and one under the regulations in effect January 1971, would be required to conform with this provision.

The amount of expenditures, subject to limitation, would be limited to payments under the January 1971 standards, adjusted for the bonus value of the food stamps. It is stated in the Bill that the January 1971 standards would "mean the amount of money payment which an individual or family (of a given size) with no other income would have received . . . for January 1971." In Washington, standards varied by age and sex in January 1971." Unless averages were acceptable, the administrative problems that would be occasioned by this provision would be enormous.

To determine the bonus value of food stamps, it is indicated that the January 1971 standards would be assumed to equal the income of a family and that the food stamp regulations then in effect would be used to determine the value of the bonus. To comply with this provision literally, a case by case review of the January 1971 caseload would be required. The food stamp regulations (then and now) included "hardship provisions" which, for some families, considerably increased the value of the food stamp bonus. However, in order to determine the bonus, a family's actual rental and utility payments, as well as certain other items, would need to be known. Unless the bonus value were determined (by family size) as the minimum possible bonus value, many complications would arise.

The Bill also provides that such limitation would be defined as the total assistance expenditures under Titles I (OAA), IV–A (AFDC), X (AB) and XIV (DA) but excluding expenditures for emergency assistance, household repairs, AFDC–FC and ICF patients, minus the payments to the states "determined under sections 3, 403, 1003, 1403 and 1603 of the Social Security Act . . . for such state with respect to such expenditures in such quarters." Presumably, the phrase "with respect to such expenditures" would mean that the amounts (Federal share) subtracted from the total would include only those items in the total (the total excludes emergency assistance, AFDC–FC, etc.; however, in determining Federal share, no reference, other than the phrase "with respect to such expenditures" is included).

Finally, the amount of limitation includes state (share) expenditures for the AFDC–E program. However, as already indicated, supplementation expenditures for these families are not subject to the limitation, an obvious inequity.

4. Determination of Medicaid Eligibility

In the Act it is indicated that the Secretary of HEW or Labor could enter into an agreement with a state under which he would determine eligibility, for any or all cases under a state's plan, for Title XIX. Any such agreement would provide "for payment by the state, for use by the Secretary in carrying out the agreement, of an amount equal to one-half of the cost of carrying out the agreement, but in computing such cost with respect to individuals eligible for benefits under Title XX or under Part A or B of Title XXI the Secretary shall include only those costs which are additional to the costs incurred in carrying out such title or such part."

It would appear, from this section, that the state share, under an agreement for determining Medicaid eligibilty, would be one-half of the costs incurred for such eligibility determnations. It s not clear, however, if the costs of all eligibility determnations for Title XIX would be shared by the Federal and state governments, or if some costs would be entirely state share. State Supplementation to families would be provded under part C of Title XXI. (It is true that the *amount* of benefits for persons eligible for Federal benefits under parts A and B would also be determined on the basis of part C, however). Thus, it may be that families eligible for only supplementation—and not Federal benefits—would not be included in the sharing arrangement. This would seem unlikely, however, since some adults would be eligible for only supplementaton but would clearly be included in the sharing arrangement since such supplementation would be provided under Title XX (and would be included in the sharing arrangements).

Such a seemingly minor problem takes on major implicatons when the Committee report is considered. In that report it is stated that "A state, under such agreement, must pay one half the cost of carrying out the agreement with respect to individuals who are not eligible for benefits under the new title XX or XXI; with respect to individuals eligible for benefits under parts A and B of Title XXI and under Title XX, it would pay only those costs which are additional to carrying out such parts and such title." It is difficult to consider such a statement as a literal interpretation of this section of the Act. Far more important is a Committee statement on the intent of the Act.

The report includes the following section:

"*4. Determinations of medicaid eligibility*

"Your committee's bill would permit the Secretary of Health, Education, and Welfare to enter into an agreement with a state under which the Secretary would determine eligibility for medicaid. The agreement could include determinations for the medically indigent as well as for those eligible for payments under the Opportunities for Families program, Family Assistance Plan and Assistance for the Aged, Blind and Disabled. The state would be required to pay 50 percent of the additional administrative costs incurred by the Federal government in carrying out the agreement.

"This provision would facilitate a State's election to turn ovre [sic] assistance programs to Federal administration and thereby reduce overall administrative costs. If there is Federal administration of payment programs under this bill without Federal administration of medicaid eligibility a state agency would then be required to duplicate much of the eligibility work already being carried on by the Federal agency. As a result, administrative costs would be high and the beneficiary would be inconvenienced by having to make two applications at two different offices.

"Under present law, states are required to cover under medicaid all people eligible for cash assistance payments. If this provision were carried oyer into the new assistance programs, many thousands of additional people, the great majority of whom would be people made newly eligible for assistance to the aged, blind, and disabled, would be required to be covered under medicaid. In view of the serious financial and many other problems of many state medicaid programs, your committee decided not to requre the states to cover the newly eligible but rather leave the decision up to each individual state. Your committee's bill would, therefore, provide that despite any other requirements of Title XIX, no state shall be required to provide medicaid coverage to any indvidual or family member in any month where such person would not have been eligible for such assistance under the state plan in effect on January 1, 1971."

Certainly, such a statement, as included in the latter half of the Committee's report cannot be inferred from this section of the Act (or, at this time, any other section of the Act). At this date, it has not been determined which families and adults could be eligible for Title XIX, but no section of the Act providing for such exclusions as indicated in the Committee's statement has been discovered. At best, it would appear, at this date that the "working poor" would not be covered by Title XIX. However, no other exclusions have, as yet, been determined to be contained in the Act.

5. Transitional Administrative Provisions

While states would be required to administer these programs, the Bill does not indicate who would be responsible for the costs of administration. Presumably these would all be Federal costs.

6. Child Care Services for AFDC Recipients During Transitional Period

While the Act is somewhat confusing on this point, it would appear that by providing child care under this provision, the entire cost of such care would be met by Federal payments. However, the provision for child care in Title IV–A would still be in effect (with state child care costs of 25 percent). When care would be provided under Title IV–A and when it would be provided under this provision is not indicated.

PART B—NEW SOCIAL SERVICE PROVISIONS—MISCELLANEOUS

Under the Act, Titles IV–A and XVI would become the legal basis for providing social services to families and adults, respectively.

1. Services to Needy Families

Services would be defined to include any of the following:

1. Family planning services, including medical services;
2. Child care services required because of the employment, training, or illness or incapacity of the child's parent or other relative caring for him;
3. Services to unmarried girls who were pregnant or already had children, for the purpose of arranging for prenatal and postnatal care of the mother and child, developing appropriate living arrangements for the child, and assisting the mother to complete school through the secondary level or secure training so that she could become self-sufficient;
4. Protective services for children who were (or were in danger of) being abused, neglected, or exploited;
5. Homemaker services when the usual homemaker became ill or incapacitated or was otherwise unable to care for the children in the family and services to educate appropriate family members about household and related financial management and matters pertaining to consumer protection;
6. Nutrition services;
7. Services to assist needy families with children to deal with problems of locating suitable housing arrangements and other problems of inadequate housing, and to educate them in practices of home management and maintenance;

8. Educational services, including assisting appropriate family members in securing available adult basic education;
9. Emergency services made avaible in connection with a crisis or urgent need of the family;
10. Services to assist appropriate family members to engage in training of secure or retain employment;
11. Services to assist individuals to meet problems resulting form drug abuse or alcohol abuse; and
12. Information and referral services for individuals in need of services from other agencies (such as the health, education, or vocational rehabilitation agency, or private social agencies) and follow-up activities to assure that individuals referred to and eligible for such services from other agencies received such services.

2. Services for the Aged, Blind, or Disabled

Services would be defined to include any of the following:
1. Protective services for individuals who were (or were in danger of) being abused, neglected, or exploited;
2. Homemaker services, including education in household and related financial management and matters of consumer protection, and services to assist aged, blind or disabled individuals to remain in or return to their own homes or other residential situations and to avoid institutionalization or to assist in making appropriate living arrangements in the lowest cost in light of the care needed;
3. Nutrition services, including the provision, in appropriate cases, of adequate meals, and education in matters of nutrition and the preparation of foods;
4. Services to assist individuals to deal with problems of locating suitable housing arrangements and other problems of inadequate housing, and to educate them in practices of home maintenance and management;
5. Emergency services made available in connection with a crisis or urgent need of an individual;
6. Services, including child care in appropriate cases, to assist individuals to engage in training or secure or retain employment;
7. Services to assist individuals to meet problems resulting from drug abuse or alcohol abuse; and
8. Information and referral services for individuals in need of services from other agencies (such as the health, education, or vocational rehabilitation agency, or private social agencies) and follow-up activities to assure that individuals referred to and eligible for available services from such other agencies received such services.

3. Authorization and Allotment of Appropriations for Services

Appropriations for services to families and adults (for services other than family planning and child care services) would be limited to $800,000,000 for fiscal 1973, and to such sums as Congress might specify thereafter.

The amounts appropriated would be distributed as follows:

(*a*) From the sums appropriated, each state would receive the proportion of the amount appropriated equal to (1) the Federal share of expenditures in the state in the preceding fiscal year for services under Titles I, X, XIV, XVI and part A of IV (excluding child care and family planning services) and for training under these titles, divided by (2) the total Federal share in all states. However, the appropriation could not exceed the Federal share of expenditures in the state in the preceding fiscal year. (All sums in this section exclude sums reallotted to a state; see (d).)

(*b*) From any sums remaining (not to exceed $50,000,000), each state that had a "service deficit" would receive the proportion of the appropriation equal to (1) the "deficit" in the state divided by (2) the total "service deficits" of all states having deficits.

A "service deficit" would mean the amount by which the "average service expenditure" per recipient of Title XX and XXI in a state was less than the average of the expenditures for training and services (under Titles I, X, XIV, XVI, and part A of Title IV in all states (other than child care and family planning services under such part), multiplied by the number of recipients of such benefits in a state.

"Average service expenditure" would mean (1) the Federal share of expenditures in a state for the preceding fiscal year (excluding any amounts reallotted—see "d") for training and services under Titles I, X, XIV, XVI and part A of

Title IV (other than child care and family planning services under such part) divided by (2) the number of individuals in the state receiving benefits under Titles XX and XXI,

(c) From any sums remaining, each state would receive a proportion equal to (1) the number of persons receiving benefits under Titles XX and XXI in the state divided by (2) the total number of such persons in the nation.

(d) Any allotment which the Secretary determined would not be required by a state would be reallotted to other states.

4. Adoption and Foster Care Services Under Child Welfare Services Program

The Act would define "foster care services" as:

(a) Payments for foster care (including medical care not available under the state's plan approved under Title XIX or under any other health program within the state) of a child for whom a public agency had responsibility, made to any agency, institution, or person providing such care, but only if such foster care met standards prescribed by the Secretary, and

(b) Services and administrative activities related to the foster care of children, such as finding, evaluating, and licensing foster homes and institutions, supervising children in foster homes and institutions, and providing services to enable a child to remain in or return to his own home.

The Act would define the term "adoption services" as:

(a) Services and administrative activities related to adoptions, including activities related to judicial proceedings, determinations of the amounts of the payments described in subparagraph (b), location of homes, and all activities related to placement, adoption, and post-adoption services, with respect to any child, and

(b) Payments (subject to such limitations as the Secretary may by regulation prescribe) to a person or persons adopting a child who was physically or mentally handicapped and who, for that reason, might be difficult to place for adoption, based on the financial ability of such person or persons to meet the medical and other remedial needs of such child.

For any eligible state, Federal matching for foster care and adoption services would be at 75 percent, subject to the amount allotted to the state.

In addition to the amounts currently allotted for Child Welfare Services, the following additional amounts would be appropriated for foster care and adoption services:

Fiscal year:	
1972	$150,000,000
1973	165,000,000
1974	180,000,000
1975	200,000,000
1976	220,000,000

Each state would be allotted an amount based upon the proportion of children in the state under age 21 (to the total in the United States).

PART B—NEW SOCIAL SERVICE PROVISIONS—COMMENTS

1. Services to Needy Families

Under its plan, a state would be required to provide services to recipients of Title XXI (excluding the "working poor") and to families who would have been eligible for AFDC under state plan prior to enactment of HR 1.

Within the limits of the appropriation to a state, the Federal matching share for services and training would be 75 percent. Remaining expenditures would be matched at 50 percent.

The AFDC–FC program would remain in effect and matching would be at the rate of 5/6 of the first $18 plus 50 percent of the remainder up to $100, based on the average expenditure per child. (It would appear that expenditures for AFDC–FC would be limited by the specified appropriation for services—however, this is uncertain.)

Emergency assistance would continue to be available and matched at a rate of 50 percent.

2. Services for the Aged, Blind, or Disabled

As in the case of services to needy families, within the limits of the appropriation, the cost of services and training would be matched at 75 percent while other expenditures would be matched at 50 percent.

PART C—PUBLIC ASSISTANCE AMENDMENTS EFFECTIVE IMMEDIATELY

The following Amendments to the Social Security Act would be effective upon enactment:

1. Additional Remedies for State Noncompliance

If the Secretary determined that the state failed in a substantial number of cases (a) to make payments as required by Titles I, X, XIV, XVI or XIX or part A of Title IV or (b) to make payments in the amount required under the state plan, he could require the state to make retroactive payments to all persons affected by such failure. Such payments would not be required with respect to any period prior to the date of enactment of HR 1.

If the Secretary found that there was a "failure to comply substantially" with any provision of the state plan, the Secretary could prescribe such methods of administration as he found appropriate to correct such administrative noncompliance. Upon obtaining satisfactory assurance that appropriate methods would be undertaken (including a time table for implementation), he could continue to make payments, rather than withholding such payments.

If he had "reason to believe" that a state plan no longer complied with requirements or that there was a failure to comply substantially, he could request the Attorney General to bring suit to enforce such requirements.

2. Statewideness Not Required for Services

The Secretary could make exception to the requirement that social service plans must be in effect in all political subdivisions of the state.

3. Optional Modification in Disregarding Earned Income

For AFDC cases, the state, rather than operate under its current earned income exemptions, could implement new earnings exemptions. These would include (1) no work related expenses, other than child care, would be disregarded and the first $60 of earned income plus ⅓ of the remainder would be disregarded or (2) the total amount of earned income to be disregarded plus child care expenses could not exceed $2,000 per year plus $200 for each additional family member in excess of four, up to a maximum of $3,000.

4. Individual Programs for Family Services Not Required

Upon enactment, but by no later than July 1, 1972, states would be required to modify their plan to eliminate the requirement that a separate service program be developed for each child and relative receiving AFDC.

5. Enforcement of Support Orders Against Certain Spouses of Parents of Dependent Children

States would be required to implement a plan to secure support for a parent who had been abandoned or deserted by his or her spouse. (Efforts would include obtaining or enforcing court orders for support through use of reciprocal arrangements with other states.)

6. Separation of Social Services and Cash Assistance Payments

States would be required to submit proposals under which staff providing social services would be located in organizational units separate from assistance payment units, up to the administrative level prescribed by the Secretary.

7. Increased Reimbursement for Costs of Establishing Paternity and Securing Support From Parents

Federal matching would be increased to 75 percent for the following services:

(*a*) Establishing paternity in the case of children born out of wedlock, securing support for any child receiving assistance who had been deserted or abandoned by his parent and securing support for such parent who had been deserted or abandoned by his or her spouse;

(*b*) Entering into cooperative arrangements with appropriate courts and law officials to carry out these requirements;

(*c*) Reporting of information to the Secretary to locate a parent of a dependent child receiving aid against whom a support order had been issued but who was not making payments in compliance with the order;

(*d*) And locating and securing compliance by a parent residing in the state against whom a petition had been filed in, and a court order issued by, another state for the support and maintenance of such a child.

8. Reduction of Required State Share Under Existing Work Incentive Program

The required portion of the state share expenses for the WIN program would be reduced from 20 percent to 10 percent.

PART C—PUBLIC ASSISTANCE AMENDMENTS EFFECTIVE IMMEDIATELY—COMMENTS

3. Optional Modification in Disregarding Earned Income

The exemptions are essentially those contained in Title XXI. However, the $2,000 limitation is considerably more restrictive than the Title XXI exemption. The latter limits child care expenses, irregular (earned and unearned) income and earned income of students to $2,000. This provision would limit all earnings exemptions and child care expenses to $2,000.

States could implement either or both provisions.

6. Separation of Social Services and Cash Assistance Payments

This would, in effect, be a "tooling up" for implementation of Titles XX and XXI. It is not clear if the separate location would be only organization or if it would require a physical separation as well.

8. Reduction of Required State Share Under Existing Work Incentive Program

Presumably this would have little fiscal effect as Washington is currently meeting this requirement through use of "in kind" expenditures.

ADDENDUM

State Supplemental Payments During Transitional Period:

When the House of Representatives passed HR 1, the Act was amended to add Sec. 509, State Supplemental Payments During Transitional Period.

This Amendment would require that states, if they were to be eligible for Federal matching under Titles IV, V, XVI or XIX of the Social Security Act, after June 30, 1972, must:

(*a*) Have entered into an agreement with the Secretary of HEW. (It would be required that such an agreement either specify the supplementation levels or that the supplementation program be Federally administered) or

(*b*) Have taken "affirmative action to the contrary [i.e., not to implement a supplemental program] on the basis of legislation (other than legislation which prevents the State from entering into such agreements)" or

(*c*) Be making supplementation payments to adults and families eligible under Titles XX and XXI. It would be required that such supplementation be a level at least equal to (1) the state standards in effect in June 1971 or "if the State by affirmative action modifies such plan after June 1971 and before July 1972" such standards in effect in June 1972 plus (2) "the bonus value of the food stamps which were provided (or were available) to such individual or family under the Food Stamp Act."

COMMENTS

It is indicated in the Congressional Record that the intent of this provision is to insure that "recipients on the rolls in June 1972, would not face an unintended reduction in benefits resulting from Congressional action, yet States would continue to be free to set whatever levels of supplementation are desired. . . ."

It is also indicated that "the amendment is intended to deal with the situation where a State has not been able to enact enabling legislation or take other affirmative action, which sets the amount of supplementation of Federal benefits, or provides no such supplementation."

It is unclear from the Act or the Congressional Record if it would require state legislation *not* to implement a supplementation program. However, such a question, in practice, may be academic. It would appear, because of the fiscal impact, that a state must have a "hold harmless" provision in operation, and to do this the state must have an agreement with the Secretary under which the Secretary would administer the supplementation program. Thus, the practical effect of this amendment would be to increase the pressure on the states to enter into an agreement. (If a state did not reach such an agreement it could "save" its Titles IV, V, XVI and XIX matching by implementing a supplementation program meeting the requirements of this amendment, but such supplementation would not be subject to the "hold harmless" provision. Moreover if it provided for a supplementation program without an agreement on supplementation, Federal benefits would be reduced by an amount equal to the supplementation.)

In this amendment, as in other sections of the Act, it is indicated that the bonus value of food stamps (for purposes of supplementation levels) would be the amount of the bonus "provided (or were available) to such *individual* or family . . ." (emphasis added). It would appear that whatever the allowance for food stamps might be, they must include allowances for hardship deductions, since these would be available to many individuals and families.

In the final line of this amendment, references have been made to sections identifying excludable income—Sections 2013(b)(4) and 2154(b)(5). Either these sections are incorrectly identified and would correctly read 2012(b)(4) and 2153(b)(5)) or additional amendment(s) were made by the House of Representatives before it passed HR 1.

Fiscal Relief for States as Proposed by Senator Percy, and Comments on Senator Long's Proposal for Fiscal Relief

A. SUMMARY

Senator Percy's proposal to provide fiscal relief to the states would be in the form of an amendment to HR 1. It would be effective July 1971 (fiscal 1972). Additional Federal payments would be made to the states for the costs incurred by the states (state share) that exceeded the states' fiscal 1971 costs for OAA, AB, AFDC and DA. (Actual state shares, for each program, would be determined quarterly and would be compared with the average, quarterly state share for fiscal 1971.) However, the additional Federal payments could not exceed twenty percent of the states' (quarterly) fiscal 1971 state share for any program for any quarter.

Costs incurred by the states for changes in their state plans subsequent to June 30, 1971 would not be counted in determining the amount of additional Federal payment.

No additional Federal payment would be made if *both* of two conditions were met: (1) the state standards were reduced below the standards in effect June 30, 1971 *and* (2) the state expenditures (for any quarter) were less than 150 percent of the state's expenditures for the quarter ending June 30, 1971.

B. COMMENTS

1. This measure would be in the form of an amendment to HR 1. Considering the difficulties HR 1 (and its predecessors) have encountered and the immediate fiscal need of the states, it would apear advantageous to have any fiscal relief measure introduced as a separate bill (or amended to a bill that has immediate likelihood of passage).

2. In Senator Percy's bill it is indicated that HR 1 would be amended as follows: "Title XI of the Social Security Act (as amended by Section 221(a), 241, 505, 542(10) and 512 of this Act) is further amended by adding at the end thereof the following new Section :". Section 512 of HR 1 is the Section providing for the $800 million limitation on social services. In the event Senator Percy's amendment is supported by the State, it would seem most appropriate to eliminate any reference to Section 512.

3. The amendment would provide that expenditures resulting from changes in the State plan subsequent to June 30, 1971 would not be subject to additional Federal matching.

Since Washington State plans to implement increases in standards February 1, 1972, the effect of this provision is obvious; in addition, it is inequitable insofar as the increases that will become effective will, n effect, tend to offset the maximum grant limitations implemented in April 1971. It is also inequitable to this and other states insofar as Federal requirements have and will presumably continue to require changes in State plans (generally requiring additional State expeditures), e.g., fair hearing requirements.

Presumably most states are in a continual process of changing their state plans, (if for no other reason because of requirements imposed by the Department of Health, Education and Welfare). These continuing changes will result in considerable administrative difficulty in determining what expenditures would have been incurred if such changes had not occurred.

4. State share expenditures as defined in the Percy amendment would be total expenditures (for each program) for OAA, AB, DA and AFDC minus the Federal share as determined under Sections 3, 1003, 1403 (1603) and 403 of the Social Security Act.

Washington State and many other states claim Federal matching under Section 1118 of the Act since under certain conditions this alternative provides additional Federal matching. Changes should be made to the proposal to allow for this contingency.

C. FISCAL IMPACT

If the amendment offered by Senator Percy were enacted into law, Washington State would receive an estimated $11,177,161 in additional Federal funds during the 1971–73 biennium of which $3,524,085 would be received for fiscal 1972. (In the Department of Health, Education and Welfare's estimate it was indicated that the fiscal 1972 savings to the State of Washington would be $1.1 million. Those estimates were based on allotment data and thus did not reflect the changes that have been occurring in the General Assistance and Disability Assistance programs. In fact, expenditures are increasing in the DA program at such a rate that the 120 percent limitation in the amendment would be in effect by the second quarter of fiscal 1972. In addition, the Department of HEW's estimates were based on annual figures; in situations in which expenditures are increasing or fluctuate seasonally, annual data tend to obscure the actual effects. In Washington, for example, there would be no impact in the AFDC programs during the first two quarters of fiscal 1972 but there would be a savings of about $1.4 million during the last two quarters. If only annual totals were used to estimate the effects, the savings would be about $0.3 million.)

D. SENATOR LONG'S PROPOSALS

Senator Long has also proposed that fiscal relief be made available to the states and has suggested that this could be accomplished through additional Federal payments of $75 *per recipient.* It is indicated that this proposal would cost about the same as Senator Percy's proposal, i.e., $1.0 billion. (Apparently Senator Percy's proposal would cost $1.0 billion for the 1971–73 biennium as the Department of Health, Education and Welfare's estimate of fiscal 1972 costs are indicated to be $515 million.)

It is unclear if under Senator Long's proposal $75 would be paid for each case or each person receiving assistance under the Fedeeral titles (presumably, whether case or person, the counts would refer to the annual average counts). The Federal definition of recipient is equivalent to the State's definition of a case in the adult programs and a person in the AFDC program; however, it is questionable if this is the meaning Senator Long intends as the estimated cost of his proposed program using these definitions should be about $1.0 billion *annually;* if Washington State's definition of a case were used in Senator Long's proposal, the cost of the proposal would be closer to $0.5 billion annually.

If Federal relief was provided at a rate of $75 per case (Washington State definition) the estimated additional Federal funds that would be available to Washington during the 1971–73 biennium would be $14.0 million.

It is apparent that Senator Long's proposal would be superior to Senator Percy's in one respect; the administrative complexities involved in determining what would have been expended under the state plan in effect in June 1971, required by Senator Percy's proposal, would be obviated under Senator Long's proposal.

Senator TALMADGE. Mr. Chairman, Governor Jimmy Carter of Georgia was scheduled to testify before the committee this morning but, because the Georgia General Assembly is in session, he could not come to Washington. He did send the Honorable Jim Parham, the director of the Georgia Department of Family and Children's Services, but he had to return to Georgia this afternoon and was, therefore, unable to testify.

I ask unanimous consent that the statement of Governor Jimmy Carter be inserted in the record at this point.

The CHAIRMAN. That will be done and, if I may, I will also insert the statement of Governor Egan of Alaska, which he submitted to this committee. The same situation exists. He was scheduled, but was unable to appear here today.

(The statements referred to follow. Hearing continues on p. 2007.)

STATEMENT OF HON. JIMMY CARTER, GOVERNOR OF THE STATE OF GEORGIA

SUMMARY OUTLINE

1. General policy statement.
2. Need for state fiscal relief.
3. Endorsement federalization of income maintenance.
4. Need for assistance to working poor.
5. Support from absent fathers.
6. Reorder priorities in Opportunity for Families Program.
7. Suggested state role regarding social services.
8. Eligibility criteria—timing.
9. Need for coverage of childless couples and single individuals.
10. Ways of coordinating State and Federal actions.
11. Medicaid provisions.
12. Retain state "stake" in job training activities.

Gentlemen, my position on welfare is simple and direct: First, for those who cannot be expected to support themselves, we should provide adequate stipends in the most fair and dignified way possible, and we should supply services to relieve their social and emotional distress as needed. Second, for those who can and should work, we should offer job placement, training, and social services to remove obstacles to self-support. In many respects, the present federal-state system is inadequate to reach these goals. For this reason, I am here to support welfare reform and the general aims of H.R. 1.

The first and most practical difficulty for Governors is the rapidly escalating costs. During calendar 1971, the first year of my administration, we slowed caseload growth and Medicaid cost rises by tightening eligibility procedures and review of medical vendor payments, but my recommendations to the Legislature for FY '73 for public assistance and Medicaid still total $133.3 million in State funds—16% above FY '72 and 257% greater than for FY '68. This five-year rise is better understood when compared to the rise in the total State budget of only 67%.

Our current maximum grant levels, $91 per month for the aged, blind, and disabled and $149 per month for a mother with three children, are admittedly low, but it is plainly beyond our means to improve our grant levels or extend our coverage. The way federal matching formulas are devised, any further rise in our monthly stipends would have to come almost entirely from State funds.

A second source of constant criticism is the unfairness of the current system in certain particulars. For example, it gives the benefit of earnings disregards to those already on the rolls and denies it to next-door neighbors working at similar jobs. It helps the State to provide for the permanently and totally disabled individual but grants nothing to assist the temporarily and partially disabled. It helps care for 65-year-olds without income but offers nothing for 64-year-olds. It denies help to the child of a low-wage earning father who tries to take care of his family and tempts the father who would shirk his responsibilities.

A third perplexing difficulty lies in the sheer complexity of achieving complete self-support status for persons severely damaged by decades of social discrimination, inadequate schooling, poor health services, bad housing, and families too large for their means. The techniques and programs to rehabilitate such persons are still in trial and error developmental stages. The work that can be secured for such people is frequently unstable and often does not pay a wage high enough to bring the family out of poverty. The welfare system and correctional agencies historically have had to deal with this group and have been unfairly criticized for their failure to make greater advances. I am glad to see that H.R. 1 will make Vocational Rehabilitation and the Department of Labor accountable for a greater effort with this group. It seems obvious that it is too much to hope that private industry will be able to absorb them all. Perhaps with the help of tax incentives as recently provided at the initiative of Senator Talmadge, business and industry can employ more, but to offer work to all, it seems clear that there must be greatly expanded public service employment opportunities.

With this brief background to express my appreciation of some of the dilemmas involved, I would like to comment specifically on several portions of H.R. 1.

FEDERALIZING INCOME MAINTENANCE

First I believe that the income maintenance programs should be federally funded and federally administered. Economic need is influenced by forces beyond the control of local and state officials and the response to it must be national in scope. Only the Federal Government has the authority and taxing resources to manage a program that should provide equitably for needy people all over the country. I am in accord with plans to transfer to federal administration the present assistance programs for the aged, blind, disabled, and families with dependent children and establish national minimums for such payments. I would like to note, however, that I strongly believe social service programs in connection with income maintenance should continue to be administered by the States.

THE WORKING POOR

If the system is to reward the virtue of work and encourage family cohesiveness, a way must be found to help the children of the working poor—those industrious people without the skills or education to earn wages high enough to bring their families out of poverty. They are in the curious position of being too poor to afford private goods and services and too well off to get them free.

Because of our history, we have a lot of such children in our Region; in Georgia it is estimated that 55,000 families would benefit from such provisions. These youngsters, though fortunate to have conscientious parents, are unfortunate in that the accident of their family circumstance leaves them without the means for nutritious food, adequate clothing, decent shelter, and medical care. It is discouraging to their parents to see children of non-working families as well or better off.

I share concerns expressed by members of this Committee about the large numbers of Americans who would be subsidized under a plan for the working poor. I appreciate the potential negative effects on wages and on marginal earners. On the other hand, however, such provisions might have a stabilizing effect on out-migration from rural areas and reduce pressures on our central cities. All of us also know that many segments of our society enjoy direct and indirect subsidies, and that this "working poor" group has been neglected. Somehow we must find a positive way to help them; otherwise our welfare system will continue to be a "dead end" trap.

SECURING SUPPORT FROM ABSENT FATHERS

We applaud provisions to increase the capability of securing support from absent fathers. A study in our State has shown that support is secured from absent parents for 10% of the families on AFDC and that this amounts to approximately $6 to $7 million per year. We are planning the establishment of a specialized central unit to locate and seek support from such parents. We estimate that amounts currently secured can be tripled or quadrupled. We believe every opportunity for contributing to the support of their offspring should be afforded these fathers—voluntarily or through legal action.

RECOMMENDATIONS FROM THE GEORGIA STUDY

Georgia has engaged in a joint study with the U.S. Department of Health, Education and Welfare on the problems of implementing H.R. 1. The study has pinpointed many problems. My remaining comments reflect those concerns.

THE OPPORTUNITIES FOR FAMILIES PROGRAM

The Opportunties for Families Program is vital to the goal of moving people off welfare rolls onto payrolls. Senator Talmadge's amendments expanding the WIN Program statewide and increasing the federal match should allow substantial progress pending enactment and implementation of H.R. 1.

Our people believe it is unrealistic to give high priority for training to mothers and pregnant women under 19 years of age. It does not seem reasonable to enroll pregnant women in training programs when such women will become ineligible for training when the child is born. Experience with existing programs has shown that pregnant women are usually unable to successfully complete training. There are other eligible groups which have higher chances of success.

We feel priorities should be rearranged as follows:

Priority 1—Recipients who are job-ready and can be placed immediately on a job, including those who are job-ready except for some minor medical problem.

Priority 2—All unemployed heads of households.

Priority 3—Secondary wage-earners of a family. Preference within the this group should be assigned to all persons over the age of 22 and those of age 16–22 who have successfully completed high school. (This ordering of preferences within Priority 3 would be to encourage youths to return to school.)

In administering the Opportunities for Families Program, we hope the Congress will require the Secretary of Labor to utilize state manpower and social service resources where they are well organized and prepared to do the job. Duplicating existing service delivery mechanisms will create waste and competition for scarce personnel.

Georgia exemplifies the way several states have made significant strides in meeting human needs. For example, the Georgia General Assembly is currently acting on my request to create a Department of Human Resources which will combine several helping systems and deal more effectively with our people's needs. Also, we are seeking to establish a comprehensive child development program to serve nearly 56,000 children at an annual cost of $70 million. We currently have a very active program for social services in the areas of day care, family planning work placement and referral, rehabilitation services for prison inmates, and a host of other needed projects.

The overall level of funding for job training and placement in H.R. 1 is inadequate. Based on the level set forth, it is estimated that only 9% of eligible families will have a member of the family in training during the first year. Even adding the 200,000 public service jobs projected for the first year increases the figure to only 13% of the families.

SECTION 2152 AND THE ACCOUNTING PERIOD

We urge that Section 2152 be amended to replace eligibility determinations using the past three quarters' earnings with a system based on current need. By our calculations, a father of two with income of $4,200 over the past year who suddenly found himself without employment would be ineligible for any assistance for a period of three months. Since many such workers are uncovered by Unemployment Insurance, the only recourse would be to fall back on local and state governments for general assistance.

CHILDLESS COUPLES AND SINGLE PERSONS

Consideration should be given to including needy childless couples and single persons for aid under H.R. 1. In many instances, this group has high potential for training and job placement since the obstacles inherent to a family with children are absent. In addition, excluding these groups from eligibility may encourage childbearing. For example, a childless couple with no income is ineligible, but by having one child, they would be entitled to $2000 per year.

COORDINATION OF PAYMENTS AND SERVICES

Under the welfare reform proposal, the Federal agencies will have the responsibility for making money payments and the State agencies will be responsible for delivering social services. These services, including child care, family planning, counseling, homemaker and home health aids, consumer education, and other assistance, will be jointly financed. At least three specific actions are necessary to assure effective coordination. These include: (1) information exchange; (2) cooperation in establishing service districts and office locations; and (3) adequate funding for needed services.

With regard to information exchange, the Act should specifically allow HEW to furnish to the state social service agencies a listing of recipients of benefit payments in order for the state agency to be sure they are offered social services.

The legislation should further provide that HEW must consult with Governors prior to establishing substate regions and locations. Unless the federal administrative areas and local offices mesh with the state social service system, the poor and needy will be faced with a confusing maze of administrative hierarchies.

Finally, unless adequate funding levels are made available, the States will not be able to afford the continued development of effective social service systems. I urge you to continue the present policy of "open ended" appropriations for social services under Titles IV–A and XVI. The welfare reform legislation should also provide funding for social service to "former and potential" welfare recipients, as is the current policy. In this regard, those States which evidence superior performance in manpower and social service delivery should be allocated larger shares of discretionary resources.

PROTECTION OF EXISTING STATE PERSONNEL

As the Federal Government assumes the responsibility for making assistance payments, its policy should be to fully utilize all State employees involved in this facet of our present welfare system. Their retirement rights and other personnel benefits should be fully protected.

MEDICAID

As I have stated, the rapidly increasing cost of Medicaid is also of urgent concern to the States. Although we know there are specific exemptions, we are concerned about the pressure to expand Medicaid to those made newly eligible by the provisions of H.R. 1. We are concerned also about Section 225 which limits to 105% of the previous year the average per diem costs countable for federal matching in skilled nursing homes and intermediate care facilities. In Georgia nursing home costs accounted for 38% of total Medicaid expenditures in FY '71. Small percentage changes in these large items can make an important difference to us. Nursing home vendor payments have been low, and we need to improve quality. The President's recently stated goals on nursing care cannot be reached if we are limited to a 5% increase.

In closing, I would like to suggest one possible alternative. I believe the States should administer the services needed in the Opportunities for Families Program, but my experience with government suggests that it is hard to get good results when one government pays for a service and is dependent on another government to deliver effective programs. When a government does not share the fiscal burden, its sense of responsibility is diminished. For this reason, it might be wise to leave the States with a 10% residual responsibility for the task of maintaining and moving employables from depenudency to self-support. Leave the federal responsibility at 100% for the aged, blind, disabled, the unemployables, and the already working poor, but insist that the States keep a stake in effective employability programs.

I suggest this because I strongly believe that service programs are best operated and administered by the state and local governments. However, I doubt there would be sufficient incentive for good performance unless there remained some state fiscal participation. States should be guaranteed 90% but a provision should be included to allow them to earn a higher federal percentage by superior performance. This would strongly encourage effective coordination of manpower training, adult basic education, vocational rehabilitation, and social service resources.

Thank you for this opportunity to present my views.

TESTIMONY OF THE STATE OF ALASKA, SUBMITTED BY HON. WILLIAM A. EGAN, GOVERNOR

Mr. Chairman, members of the Senate Finance Committee, HR–1, which is supposed to solve a number of our present income maintenance problems, creates some new and very serious problems in its own right for Alaska and a number of her sister states.

In addition, HR–1 does not appear to satisfactorily solve the problems we presently face. Necessarily, all of these problems should be considered by the committee.

The issues raised by HR–1 may be categorized as Policy issues, Administfative issues, and finally, but certainly equally important as the first two, Fiscal issues. Each of these issue areas and their problems is of great concern to the State of Alaska, because depending on how they are resolved, HR–1 can either truly accomplish welfare reform in Alaska, or it can spell disaster for the State and work unnecessary hardship for its welfare recipients.

HR-1 is billed as "welfare reform" and is explicitly found desirable as a method of providing states with fiscal relief in the report of the House Ways and Means Committee. The actual effect of HR-1 is far from fiscal relief for Alaska. It may surprise this Committee to know that if HR-1 is passed in its present form, it will cost the State of Alaska 21 million dollars a year in addition to its present *total* AFDC expenditure. In fiscal year 1971, Alaska distributed $8,226,000. Of that amount 2,802,000 was Federal dollars and 5,424,000 was State dollars. In other words, HR-1 would increase state costs 386% or almost four times what Alaska paid in FY 71.

We have used fiscal year 1971 figures for comparison because calendar year 1971 figures are presently unavailable. We understand that some small adjustment would have to be made to make the comparison of our previous costs to the freeze year calendar 1971 precisely accurate. The point is, however, that the cost of supplementing the working poor over any 12 month period would cost Alaska $21,000,000 in addition to present expenses.

Why is this true? Why doesn't HR-1 relieve the state of a heavy fiscal burden? Why does HR-1 actually increase the State's costs? The first reason is that HR-1 fails to recognize the *cost of living differences* from state to state. By creating a uniform federal income floor that is a specific dollar amount applicable nationally instead of an income floor based on purchasing power, HR-1 disregards the fact that a basket of groceries purchased in Washington, D.C., has a different cost than that same basket in St. Louis, or Birmingham, or Seattle, or Anchorage. If the purpose of HR-1 is truly to establish and maintain a national minimum standard of living for all Americans, it must be changed to reflect these different costs.

Since early in the discussion of Welfare reform, the State of Alaska has consistently encouraged the adoption of a variable income floor based on the cost of living, providing a parity of purchasing power for this Nation's welfare recipients.

The inequities of the uniform payment system presently proposed by HR-1, are not removed by allowing states to make supplemental payments. The purpose of the optional supplemental payment provision according to the House Committee on Ways and Means is to allow a state to provide "additional assistance" to its poor. Surely, this should have been meant to allow each state the opportunity to establish a better condition of living for its citizens. It could not have logically been meant as a method by which states could bring the living conditions of their poor up to those federally funded elsewhere.

There is ample precedent of the Federal Government recognizing the different cost of living in various parts of this country.

For example, Title 5 of the United States Code, Section 5303, authorizes the President to adjust payment schedules in areas where the competition of salaries in private industry makes it difficult to hire or retain well qualified individuals. Scarcity of the specific skill being hired is one cause for the higher salaries in some areas, but with the mobility of labor the reason is increasingly the higher cost of living of these areas which private industry is reacting to.

In Title 5 U.S.C. Section 5924 and 5925, the Congress has provided for cost of living allowances and post differentials. These too, are basically Congress's recognition that to get personnel, the Federal Government must pay enough to cover the increased expense of working in certain areas, including Alaska.

Title 5, U.S.C., Section 5941, expressly recognizes the necessity of a cost of living allowance in addition to base pay for Federal employees stationed outside the continental U.S. and those stationed in Alaska. This section provides for an allowance of up to 25% of base pay. The OEO standard of poverty is adjusted to recognize the great difference in cost of living. For Alaska and Hawaii, is requires income of 25% and 15% more than in the Lower 48 respectively, to be above the poverty level.

The Department of Agriculture has recognized the cost of living difference by providing three schedules for its Food Stamp Program. It provides one for the Lower 48, and one for Alaska and one for Hawaii.

These statutory provisions for Federal employees are cited as a realistic recognition by the Congress of the problem of differing costs of living. Certainly, this recognized cost of living difference affects the buying power, the unemployed, the sick, the disabled, or the fatherless as well as those who work for the Federal Government.

With a uniform federal minimum standard of living, rather than a uniform federal minimum income, we will have attacked a problem, inability to purchase

necessities, instead of a symptom, lack of money. The State of Alaska understood this bill's original purpose to be to remove the inequities in the difference amounts of support paid to welfare recipients across our Nation. It appears that with the use of a fixed dollar base, what we have done is merely shift the inequities. HR–1 should be amended to provide a federal minimum standard of living, a variable payment based on the cost-of-living.

HR–1 presently allows states at their at their options to enter contracts with the Federal Government by which the state can supplement the federal income floor. In the above comments, expressing Alaska's interest in and support of a variable minimum income based on the cost of living, I said that this section of HR–1 should allow states to improve on a basic standard of living instead of make up for cost of living differences. Whatever it should do for Alaska optional supplementing will only allow us to meet present state payment levels. In states that are presently making the largest payments to their people, it will be most necessary to make some optional payment merely to maintain the level of benefits now provided.

According to information published by the Department of Labor and the Department of Health, Education and Welfare, 33 states presently have an average monthly payment to an incomeless family of four of less than $200. These states would not have to make any supplemental payment to maintain their current level of support to a family of four.

The states paying more than the proposed Federal maximums will have to make supplemental payments in order to maintain the status quo.

The theory underlying HR–1's alleged fiscal relief is that its hold harmless provision will limit state supplementation expenses to the amount of the nonfederal share spent on programs the state participated in during calendar year 1971. The reasoning continues that with rising costs of welfare, this freeze will result in saving states the increased cost of the growing caseload. That much is true, at least until the end of the five year period for which the bill is proposed. After that, of course, everything is uncertain.

The fiscal problem left unsolved by the hold harmless clause is that it does *not* protect the state from the increased caseload of the newly eligible. The easy answer may be that HR–1 does not require the states to supplement this caseload. Such an answer is, however, inadequate.

In fact there are very persuasive reasons that Alaska will have to supplement its "working poor", as well as the rest of its caseload.

First, the very purpose of HR–1 is to eliminate the incentive of the poor to destroy their families in order to receive welfare benefits. Its purpose is to *strengthen* the family. If the state supplemented those presently in its programs and did not supplement the "working poor" there would be on the average $2100 a year incentive to separate.

Second, there is a serious equal protection argument that makes questionable a state's supplementing at two levels. When the Congress recognizes by statutes the equal eligibility for help of the two kinds of families, it becomes more difficult for a state to make a reasonable distinction between the two.

Therefore, it will be necessary for Alaska to supplement all its AFDC recipients, even if HR–1 does not explicitly say it must.

The best estimate of Alaska's Department of Health and Social Services is that between 9,000 and 10,000 new families will become eligible under the "working poor" provisions. It is estimated by the Department that the State will need to supplement these families at about $2100 per family. These figures have been recognized by the Bureau of Indian Affairs in Alaska as realistic ones. The regional office of the Department of Health, Education and Welfare has recently recognized the validity of Alaska's concerns in this great new category of the eligible.

What is the solution to this working poor problem created by HR–1? There are several possibilities.

First, the Congress could provide for the Federal Government to bear the cost of supplementing all this nation's working poor. This solution probably, ultimately, would be the most fair, but it would be in addition, significantly more expensive than the most frequently discussed alternative.

That alternative is an amendment to HR–1 in the nature of the proposed Metcalf Amendment, which provided that the Federal Government would bear the total cost for categorical assistance to American Indians, Eskimos, and Aleuts. This solution would handle about 85 per cent of the increased cost of supple-

menting the working poor in Alaska. This would resolve most of Alaska's fiscal objections to HR–1.

An additional consideration for the Congress if it truly wants HR–1 to provide the state's fiscal relief is the method established by the bill for reducing welfare benefits as the family earns money on the road to self-sufficiency. At present, the recipient's earnings are counted toward his eligibility for HR–1's basic federal benefits. This means that the reduction in welfare expense accrues to the Federal Government rather than the state government. HR–1 should be amended so that benefit of the recipient's income accrues to the state and results in a reduction of the supplemental portion of the payment rather than of the uniform federal payment.

These, then, are our Fiscal problems unmet or created by HR–1: the need for a recognition of cost of living difference, the cost of supplementing the working poor, and the use of recipients' income to determine eligibility for federal payments leaving the state alone with its supplemental burden.

POLICY

The Policy Issues raised by HR–1 are of a more general character. They do not strike Alaska's pocketbook, threatening disastrous consequences if the Bill is passed without resolving them. Yet, they must be mentioned because in a sense they go to the heart of the whole philosophy of the Nation's responsibility to its needy.

HR–1 institutes new eligibility, re-evaluation, and registration for work and training requirements in the hope of removing the cheaters and crooks from the welfare rolls. Much of the discussion of the Bill surrounds these features and takes a very negative tone toward the present system which is described, by some, as riddled with the ineligible.

No one can be opposed to the goal of cleaning up what cheating and fraud there is in the system. The existence of such illegal behavior is destructive of our goals. Still, it would be better to emphasize the positive effects and purpose of this Bill: to improve the delivery of income maintenance to our needy and help them on the road to self-sufficiency.

HR–1 also reflects an attitude that may have grown out of our developing belief that unemployment and poverty are not to be blamed on the unfortunate citizen caught in a National Economic Decline or a society that requires training that is not or has not been available. Many have come to the conclusion that a human services or income maintenance program must necessarily therefore be a measure of this Nation's failure. We could not be more wrong. Sure, it is a measure of society's changing requirements and increasing responsibility, but that is a measure of our success at creating a society with a high minimum standard of living. As a civilization develops, it necessarily must provide more than the basics.

Specific policy choices enunciated by HR–1 that might be better reconsidered include: 1) the elimination of the food-stamp program, 2) the requirement as of 1974 that mothers with children of 3 years or older register for work or training and, 3) the continued ineligibility of children who have parents in college.

The food-stamp program in Alaska has been a good balance between providing families with freedom to choose what they will spend their money on and insuring that families receive at least a minimal diet. Making AFDC recipients ineligible may not be the best policy, even if they are "cashed out."

Providing an opportunity for women with young children to work or get training should be high-priority for us, and to accomplish that goal, this Nation must move ahead with child development programs that can provide our young with an enriched atmosphere during the hours the working mother is not able to care for her child. But requiring mothers with young children to register for work or training programs is not good policy. The distinction is that the less affluent loses the right of the more affluent to choose who shall raise her child. The Bill should be amended so that it will not require women with children under 6 years to register for work or training.

And finally, the policy choice that a child who has a parent who is a full-time college student is not eligible for the benefits and protections of the family programs of HR–1 is punishing a child because his parents show incentive. What logic can there be behind a policy that provides an incentive for a person in college—receiving the training and education required by modern society—

to slow down his progress toward full employment by taking a partial load and thereby earning enough to feed his family, or failing that, making his child eligible. The distinction that HR–1 makes between parents going to college and parents getting vocational education may violate the equal protection claim. The recent Supreme Court case of *Townsend* v. *Swank* where an Illinois classification made college students ineligible for extended AFDC benefits but allowed vocational students to receive them, went off on statutory grounds, the Court finding the classification invalid under the Supremacy Clause. The Court did see a serious equal protection problem, and I think it is not unlikely that HR–1 may raise the same kind of problem if passed in its present form.

In addition of course, the present language of HR–1 would not even allow the head of a single parent home to receive AFDC benefits if he or she were in college. Better that we allow young families with the head of the household in college to remain there with our blessing and our support. Full-time college students and their children should not be treated like second-class citizens. Full-time education is the student's vocation. Certainly, such a policy choice fails to support the stated goals of HR–1. It creates an incentive for this young family to separate.

ADMINISTRATION

HR–1 raises problems of an administrative nature. Still uncertain is the effective date of the Bill. Alaska, like many other states will need to pass some enabling legislation. While presently our Statutes give us broad powers to cooperate with the Federal Government in matters of mutual concern pertaining to old age assistance, aid to dependent children, aid to blind persons and other forms of public assistance, it is not clear that our statutes give us power to actually pay monies to the Federal Government for distribution to those eligible for supplemental benefits. July 1, 1973 would then be the earliest that HR–1 could logically be implemented.

Still unanswered with certainty is the important human question of whether there will be transfer of state employees to the Federal Government and whether they would be protected from loss of benefits in many cases earned over a period of many years of service to the state. Specific statutory language protecting these interests would be appropriate. Our Department of Health and Social Services informs me that Chairman Long favors an amendment to HR–1 providing for state administration of the program. This would include maintaining present state staffs, utilizing state merit systems, State classification systems, etc. and funded 100% by the Federal Government much as the Department of Labor is now structured. The State of Alaska supports this type of proposal and finds it an excellent solution to the problem that HR–1 creates.

A significant administrative problem raised by HR–1 is the requirement for quarterly re-evaluation of eligibility. In the State of Alaska, such re-evaluation will be very expensive if it must be accomplished by a face-to-face contact. Alaska's geography is greater than most can imagine. It is a state that if superimposed on a map of the 48 states, stretches from Atlantic to Pacific and from Canada to the Gulf of Mexico. The necessity of relying on air travel at a cost of about $80 per hour makes transportation very expensive. And other methods of contact in our more remote areas may be unrealistic as well. More flexibility should be built into the new standards for quality control.

This administrative procedure raises a difficult policy issue in Alaska and other states with many persons only seasonably employed. Current need, not last quarters earnings, should be the test of eligibility. Alaska's working poor are seasonably employed, and last quarter's earnings may make a recipient ineligible for federal benefits but greatly in need.

In any case, a computer check of income reported under the social security number of the head of the household and any working age members, would be more workable. In the case of our remote villages where to place the burden of communication on the recipient is tantamount to removing a family from the program benefits because they live in a remote area.

CONCLUSION

HR–1, therefore, must be amended from its present form to one that reflects and more adequately meets the great fiscal burden faced by the State.

This can be done by creating a variable minimum income floor based on the cost of living. This can be done by Federal supplementation of the working poor.

This can be done by creating a eligibility formula that includes the State's supplemental payments and applying a determination of benefits formula that deducts the recipient's earnings from the State supplement.

As a matter of national policy, this Congress should pass a Welfare Reform Bill that is a landmark of responsiveness to human and state needs, instead of (as discussion sometimes now makes H.R. 1 sound) a monument to our fear of small time fraud.

It is not responsive to human need to *require* a mother of a child under 6 years to register for work or training and be subject to being forced from her child's side.

It is not responsive to human need to grant children the benefits of H.R. 1 if their parents are training or in vocational education, but deny those benefits to children if their parents choose a different educational or training pattern, college.

Alaska looks forward to the Congress's resolution of these important issues and pledges to join its efforts to make this a better America for us all.

The CHAIRMAN. We will next hear from Gov. Thomas J. Meskill, Governor of Connecticut.

Senator RIBICOFF. Mr. Chairman, may I, as Senator from Connecticut, welcome the Governor of Connecticut?

We come from the same town in the State of Connecticut, born and brought up there. The Governor was a distinguished Member of the House of Representatives before becoming Governor and, like every Governor in this country, he has a lot of financial and fiscal problems. Unquestionably, one of the biggest problems he has is the heavy burden of welfare.

STATEMENT OF HON. THOMAS J. MESKILL, GOVERNOR OF THE STATE OF CONNECTICUT

Governor MESKILL. Thank you, Senator Ribicoff and members of the committee.

As the Senator has said, there is no Governor in any of the 50 States who today is not keenly aware of the critical need of welfare reform and each of us is grateful to the President for having taken the initiative and for providing leadership in this area, and to the Congress for the efforts that it is making and has made today and the effort that you gentlemen are making to date to implement that initiative.

I have heard it said at various times by some of my fellow Governors that they wish to be relieved of the political liability of local and State welfare administration. However, I reject that notion. All of us have a responsibility, equal to that of the President and the Congress, to meet head on the challenge of welfare reform and responsible management of welfare programs. For this reason, among others, I am today urging that many of the elements of administration of welfare be kept at the level of State and municipal government.

By continuing to decentralize our welfare system through a program of organized reform, I believe that it is possible for all of us to one day soon be able to say that the welfare system of the United States is efficient, is effective, is economical, and, most of all, that it provides the needed services to those who are truly needy.

I believe that, through a decentralized form of administration, we can actually lower our record of welfare abuses so that the Nation's taxpayers can once again have faith in the welfare system.

While supporting in principle the need for welfare reform as outlined by President Nixon, I believe that H.R. 1 should be amended to include certain changes which would reflect the direction which I have outlined above. My specific recommendations are as follows:

1. That the Federal Government match at 100 percent the States' cost of assistance payments for aid to families with dependent children at a level equal among all States at $2,400 and with a hold harmless clause beyond the $2,400 based on expenditures 1 year prior to the effective date of the legislation.

For instance, if H.R. 1 were effective July 1, 1973, then we would be protected based on expenditures of fiscal 1973. Then we would be protected—that is, Connecticut and other States would be protected—based on expenditures for fiscal 1973.

I have heard the chairman's concern, and I know it is a legitimate concern.

Senator, our concern is our residency requirement—which was 1 year—was struck down by the Supreme Court within the last week, and we still have tremendous migration into Connecticut.

I believe that through this equalization each State would be able to afford to treat those who are in need on a more equitable basis.

I also believe there should be an amendment to the effect that the Federal Government continue to match at 75 percent the full cost of salaries and related administrative costs for social services for all disadvantaged persons in the State.

Here we are making an attempt by saying "social services to all disadvantaged persons in the State" to make a claim for such departments as mental health, mental retardation, and corrections, where there is a Federal contribution.

The third, States share the costs of salaries and related administrative costs for income maintenance and eligibility.

I realize that I break with some of my colleagues, some of my fellow Governors, on this point but I believe that this approach to staffing—that is, a State contribution, a State obligation to pay a portion of these costs—will act as an incentive to each State to maintain high efficiency and to turn from past policies of overstaffing and increased bureaucracy at a time when paper shuffling should be discouraged rather than encouraged.

Fourth, I strongly support the changes proposed in H.R. 1 that relate to old-age, survivors, and disability insurance, and I strongly recommend the immediate assumption and administration by the Federal Government for the full costs of all categories of welfare which includes old-age assistance, aid to the blind, and aid to the disabled.

I know the chairman supports this proposal because I have heard him speak on this point in San Juan and again here a week or so ago at a luncheon, and I feel this is very important.

These areas are so like old-age assistance that there really is very little reason why they could not and should not be administered from Washington. The blind are not going to get their sight back, the disabled are not going to become able bodied, and the old are not going to become young, and I feel it is in the other areas where supervision and administration can keep the numbers on the rolls down and can eliminate fraud and prevent overpayments and underpay-

ments. This is the area where we should have the State and the local control.

I also believe that the provisions in H.R. 1 to eliminate the food stamp program should be eliminated, and I say that because there are many on food stamps who are in the working-poor category, who are not on welfare, but they are getting the benefit of the food stamp program and I would hope that that would be continued.

Also, I think that some thought should be given to the discontinuance of HEW supervision of assistance payments so that States would be given complete autonomy in management of payments, and so that there would be an elimination of all payments related to HEW sections.

We are having great difficulty in Connecticut. We have replaced our welfare commissioner, who was a social worker and had a social worker's approach to handling the affairs of the department, with a businessman, who has taken a businessman's aproach, and he has made several changes in the administration of the department, including a 100-percent audit of every single recipient and turned up all kinds of interesting things; not just fraud but many cases of overpayments, many cases of underpayment, cases of ineligibility, cases which are not fraud but there are injustices there, being overly generous or not doing justice to some people in need.

We have had a great deal of difficulty working with the department because of the regulations.

Just recently the court has ordered us to pay back a couple of million dollars because of some involved criterion which was not accurate at the time, so we are sending out checks in some cases, I believe, amounting to a couple of thousand dollars to people who have long since gone back to work. But the regulations have gotten into this and have resulted in our having an obligation, and if we had a little more freedom I think we could do a better job.

I believe through this type of welfare reform the efficiency, the economy, and the quality of services would be encouraged to the maximum level. Simply by instituting a program of extreme Federal control, of pages and pages of guidelines, and of strict supervision, States are not given encouragement to provide services which they know best how to provide.

I believe that the old saying that the level of government closest to the problem can best help solve the problem is still important today, is still relevant today, and is absolutely necessary if we are to attack a problem of such gross magnitude.

Finally, I want to thank the Senate Finance Committee for giving me the opportunity to present my views concerning welfare reform as they relate to H.R. 1 and the administration of welfare in the State of Connecticut.

Finally, I would like to thank the chairman and members of the committee for this opportunity to present my views concerning welfare reform as they relate to H.R. 1, and to the administration of welfare in the State of Connecticut.

If I could say one word in summary, I think it is one thing that all of the Governors agree on and that is, regardless of the opinion that some of you gentlemen have on things that I have said, we need

help, we need any kind of help that we can get, because we are in a bad way.

Our budget for the present year is about $275 million for welfare and, in spite of all of the attempts that we have made to cut costs, we have gone to a flat-grant system to cut costs and to try to get people to budget this money better: we are in the Federal courts on that one; we are still estimating that we will have to spend about $300 million next year on welfare, so that is about a 10-percent increase.

So the situation is getting worse even though we are doing our best to keep it from getting completely out of hand.

Thank you, Senator Long and members of the committee.

The CHAIRMAN. Senator Ribicoff?

Senator RIBICOFF. Thank you, Mr. Chairman.

Governor, do I understand your welfare costs for fiscal 1971 were $275 million?

Governor MESKILL. The fiscal year ending July 1, 1972, or June 30, 1972, the actual budget, the original budget was $293 million, which was appropriated and, subsequently, the legislature when they passed a new tax bill authorized a 5-percent reduction in whatever departments I could take it out of and the reductions resulted in a reduction to $275,666,300.

Senator RIBICOFF. That is for fiscal 1971. For fiscal 1972 and 1973, what do you estimate that the costs to the State of Connecticut will be?

Governor MESKILL. In my budget message, and I have not released this publicly, but it will be $300 million.

Senator RIBICOFF. $300 million for 1972, and would it rise in 1973, as you progress in what you estimated?

Governor MESKILL. Well, it is hard to tell, Senator Ribicoff.

When a 100-percent audit is completed, we hope there will be some reductions as a result of this. We have had a substantial number of people who have moved into Connecticut, many from Puerto Rico, who have sought a one-way ticket back to Puerto Rico. This number has increased, I think partially due to the fact that our department is clamping down and scrutinizing every single application to try to get our social workers out of the paper-processing stage and into the counseling stage, and I think that, if things go well, we will be able to try to keep this from growing as fast as it has been growing in some States, but we still are hampered greatly by the fact that Connecticut is a high-payment State and, as you know, HEW frowns on a State in any way reducing its benefits.

A ratable reduction we can handle legally, but we have not chosen to go to that, we are trying to do some other things.

Every time we attempt to do something, we find ourselves with a nonconformity issue facing us.

Senator RIBICOFF. I have an amendment in before the committee to freeze the level of the States' payments to what they paid in 1971, and whatever the State was required to pay out after 1971, the Federal Government would assume the additional burden.

Would you approve that?

Governor MESKILL. I would certainly approve that. I think that would certainly be very helpful.

Senator RIBICOFF. Now, Connecticut has an unemployment rate of over 8 percent. It is one of the high-unemployment States in the Nation.

Governor MESKILL. It is the second highest in the country.

Senator RIBICOFF. How many people are out of work in Connecticut now?

Governor MESKILL. Almost 100,000.

Senator RIBICOFF. A hundred thousand. Now, how many welfare recipients are there in Connecticut?

Governor MESKILL. The total is 132,000 of aid to families with dependent children, 75,000 on those rolls, and then the blind, 5,000, the disabled 25,000, the elderly 27,000; so the what we call the adult categories would be 57,000. These would be people who cannot find work for them. The 57,000—a certain percentage of those probably could work.

Senator RIBICOFF. What is your guess as to how many of these people are employable in Connecticut?

Governor MESKILL. Senator, I can't give you that figure because this 100-percent audit is not complete.

Senator RIBICOFF. But taking into account that we have 100,000 people out of work, and knowing the State the way you know the State, these represent skilled people, trained people, hard-working people; without any question they have got the work ethic; they don't want to be on welfare; they want to get jobs. The average Connecticut employer would prefer a skilled worker than the average untrained, unmotivated worker who would come from a welfare roll at the present time; isn't that right?

Governor MESKILL. We do have about 7,000 or 8,000 jobs listed with the Employment Service and which seem to be unfillable because of the—our unemployment compensation rates are always high, as you know, Senator, and we get the answer quite frequently, "Why should I work for $10 a week?" That is about the difference between the payment for the man who was working at a high salary and what the salary of the job offered is.

We do feel, however, that—and we are making renewed efforts along this line—primarily because our unemployment compensation fund is going to run dry in March and we have just applied for a loan against the social security account, that we are going to use administrative measures to attempt to scrutinize the unemployment compensation rolls more carefully.

We are of the opinion that many employers don't list their jobs because they don't get the referrals from the service and, because the jobs are not listed wth them, the records only show some 8,000, 7,000–8,000 jobs available. But we are of the belief that the number could be 7 or 8 times that number; there could be as many as 40,000 jobs in the State, that many people looking for work, but it is not $12,000–$15,000 help. It is $90 a week, $100 a week, $125 a week help, and many people who are getting unemployment compensation benefits were laid off at a high rate, very skilled, as you say, and there is not enough difference between the benefits that they are getting and the rate offered by the employer who is looking for help.

Senator RIBICOFF. Let us say that we authorized in this Congress a substantial number of public service jobs for employables who are now on welfare. Do you think in the State of Connecticut you could find work in the public service field if you did not have the financial burden to pay for those jobs?

Governor MESKILL. If we were going to go into a make-work type of situation, cleaning the streets, picking up trash, some conservation work, I think you could make thousands—create thousands of jobs.

Senator RIBICOFF. Hospitals, schools?

Governor MESKILL. Well, our hospitals are staffed. When I say staffed we are not understaffed in the sense of you could probably put people in and give them training and——

Senator RIBICOFF. I am not just talking about State hospitals; I am thinking about the hospitals in Hartford, whether it is St. Francis or Hartford Mt. Sinai, private hospitals, but mainly hospitals which do public service work even though themselves they are not a State institution. Do you think that institutions such as that, all of whom have budget problems, too, if they could go to a roster that your welfare department made up of employable people on welfare, and they would be able to draw from this public-service-job fund, do you think you could find places in the many eleemosynary institutions in Connecticut which are private in nature for your welfare employment?

Governor MESKILL. I think that we could. I think we could.

Senator RIBICOFF. Thank you, Governor.

The CHAIRMAN. Senator Jordan?

Senator JORDAN. Governor, you have made a splendid statement. Tell me to what extent the migration of welfare people into your State is a factor? You mentioned it was substantial and you are, as you said, the highest paying State, and I am interested to know percentagewise if you can give us the incidence of that inmigration?

Governor MESKILL. You have got me, Senator. I cannot give you the number. I can tell you that within the last 6 months that—I cannot say that the number of people going on the welfare rolls has decreased but the number going off the welfare rolls has increased so that we are not holding our own but we are doing better than we were. It seems that they are still coming in. The number going onto the rolls was somewhere up in the—around 450 a month and then I believe it dropped down to somewhere around 200-and-some-odd a month and there have been a couple of months where it actually decreased; but I think the greatest change has taken place not in fewer people going on but more in the case of more people going off.

Senator JORDAN. How many people do you have on welfare in your State?

Governor MESKILL. We have a total, in the ADC category, the largest category, 75,000 recipients.

Senator JORDAN. Yes.

Governor MESKILL. Then we have some 57,000 in the adult categories.

Senator JORDAN. So the inmigration would not be percentagewise a very big factor in your total numbers?

Governor MESKILL. Well, if you are adding 425, roughly 425 or so a month, it really adds up year after year.

Senator JORDAN. Yes.

Governor MESKILL. Particularly if no one is going off and, as I say, we have been fortunate there have been—recently the most newsworthy case was several groups who applied for a one-way ticket back to Puerto Rico.

Senator JORDAN. Is that the origin of most of the migrants who come in your State?

Governor MESKILL. We don't have that kind of a breakdown, Senator, but there have been many in that category, many who have come into New York and then have moved up from New York into Connecticut.

Senator JORDAN. Thank you.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. Governor, do you favor the family assistance plan?

Governor MESKILL. I do with the modifications, Senator, that I think there should be some kind of a hold-harmless provision. I used the figure——

Senator CURTIS. You mean hold-harmless to protect the State?

Governor MESKILL. Yes.

Senator CURTIS. But you do favor making a cash payment to the working poor?

Governor MESKILL. I do.

Senator CURTIS. Which has been described by many of us as a guaranteed minimum wage?

Governor MESKILL. Provided there are the work incentives, that it does not invite persons not to work and just to live on the minimum.

Senator CURTIS. Do you favor turning the administration of welfare over to the Federal Government?

Governor MESKILL. Only the adult categories, Senator. I think the adult categories can be supervised from Washington just the way the social security program is; but I think in the aid to dependent children categories, because of the nature, in many cases the temporary nature of disability, if you want to call it that, the fact that the age of a child having a bearing on it, the availability of a breadwinner, I think that local administration and State administration provide for the best administration. And I would point out that in Connecticut, unlike the State of Washington, we provide that the local community, the municipality, has the obligation to pay, to administer the program for the first 30 days; and this has been the rule in Connecticut for a long time.

The rationale there is it is at the local level where there is the best possibility of catching them. After a month they go on the State rolls and there is a State reimbursement even in the first 30 days.

Senator CURTIS. If the bill that passed the House were to be enacted it would be the total Federal administration, for all practical purposes?

Governor MESKILL. Yes, sir; and I would hope that would be amended.

Senator CURTIS. Referring to your statement on page 3, paragraph No. 2, the very last of it, you mention corrections.

What do you mean by that?

Governor MESKILL. Well, my understanding is that even under the present law that a State can be reimbursed, if the State separates

out the administrative costs from the cash assistance program, the portion of the expenses that is a welfare expense; for example, a man is in prison; his wife is forced to be on welfare as a result. Now, any administrative costs that are involved with the corrections department, involving that man, are involved in that welfare case, as long as they are kept separate and we don't try to hang HEW with a corrections charge——

Senator CURTIS. In other words, you are talking about the welfare?

Governor MESKILL. The welfare aspect of these programs.

Senator CURTIS. And not social services to inmates of correctional institutions generally?

Governor MESKILL. No, sir; I am talking about the welfare aspect.

Senator CURTIS. That is all, Mr. Chairman.

The CHAIRMAN. Senator Talmadge?

Senator TALMADGE. Governor, I compliment you on your statement and particularly the last sentence that appears in paragraph 1 which I heartily endorse, and I quote your statement:

> I believe that through a decentralized form of administration we can actually lower our record of welfare abuses so that the nation's taxpayers can once again have faith in the welfare system.

I share that view. Unfortunately, the legislation that passed the House goes entirely in the opposite direction, as you know, and I don't believe it is in the interest of the people of the country who are interested in good government.

Thank you.

Governor MESKILL. Thank you.

The CHAIRMAN. Governor, I find some appeal to your suggestion that the Federal Government should take over the adult categories. If I thought the Federal Government would administer it better than the States, I might vote to do just that.

It occurs to me that we might have a try at the area that should be the easiest to administer—that is, the old age assistance area—by simply voting that the Federal Government should immediately take over the burden of providing $130 as provided by the House bill and at least $200—maybe we could make it $230 or $240—for a couple. Would you think that most States would elect to let the Federal Government simply go ahead and take that program?

Governor MESKILL. I think they would, Senator Long. In the case of Connecticut it would amount to, well, almost $10 million or really half of that because we are presently being reimbursed for half of it; but it would be a $5 million-plus for us.

The CHAIRMAN. So you could say at that point if you want to get out of it, here is your chance.

Now, that would give you $5 million that you could apply to other programs. How much of your State money do you have in the family program?

Governor MESKILL. Aid for dependent children is $96 million.

The CHAIRMAN. So you have $96 million?

Governor MESKILL. I am sorry; that is within our budget without the Federal reimbursement.

The CHAIRMAN. So the Federal Government is paying at least half of that?

Governor MESKILL. So it would be half that, $48 million.

The CHAIRMAN. $48 million. So you would then have within your power, if you wanted to, to at least increase by 10 percent the State effort if you wanted to apply that to that part of it?

Now, if we did that in some States, it would be a lot more help than that, though.

Are these Federal regulations and court decisions requiring you to have a lot of people on those rolls that you think are in error?

Governor MESKILL. That is our position, Senator. When we go to make a change which we know will work better, we find some Federal regulation where they say, "You just can't do it; you are not in conformance." We find ourselves——

The CHAIRMAN. If we could then turn the States loose to require, let's say, the fathers of illegitimate children to support their children, which apparently is just not being done now, and give you all the help that could be made available, a good child-support law, and make the Internal Revenue Service and the Federal attorneys go to work garnisheeing wages, and if we allowed you to take off the welfare rolls people who are on strike or people who have been fired for cause then wouldn't that greatly reduce the burden on your program?

Governor MESKILL. It certainly would, Mr. Chairman. In Connecticut we had a case where the department demanded that the mother, an unwed mother, disclose the name of the father under penalty of losing the ADC benefit and the mother refused and some OEO lawyer, financed by the taxpayers, took the case to the Supreme Court and we were told that we couldn't make her tell us who the father was. This is the kind of thing—this is carrying confidentiality a little far, I think.

The CHAIRMAN. My impression of that case is that it did not go as far as the Supreme Court; it was decided at a lower court. It seems to me as though the decision is badly in error. At a minimum HEW should have supported an appeal from that. Instead HEW, I understand, wrote a regulation saying that "you will be ruled out of compliance," to the States, "and your money will be cut off if you don't abide by that Federal court decision." The States were foreclosed from appealing that erroneous decision, according to HEW regulations, that is my understanding of it.

If I am in error, I would be happy to correct it.

I believe the first of those cases was a Connecticut case, Governor, as you said.

Now, it would seem to me if we gave the States money to put people to work that would also relieve some of the burden. You could offer jobs to people instead of welfare. If we did all these things, I would think that would go a long ways toward solving your problems. I would like to have your reaction.

Governor MESKILL. It would go a long way to the extent that it meant more dollars to the States; it would go a long way because we in Connecticut, and I shouldn't say we are not as bad off as other States, but per capita we have fewer people on welfare, and, consequently, if you look at statistics someone can say, "Well, you are not very badly off." But we are badly off because we have had so few in the past; we have had our payment level very high. We have tried to take good

care of the unfortunate and what we have really done is we have attracted many more and we have created a monster.

The CHAIRMAN. But every time we can take a person off the rolls who never did belong there, every time we can find one of these runaway fathers who has a job adequate to support that family, and require him to support that family, that relieves the burden on the State government and the Federal Government and it frees more money that you could use for more deserving cases. And then, insofar as we can, provide money for you to provide jobs for people who otherwise would be on welfare, that would relieve your burden and further free money that you could use on your more deserving cases, could it not?

Governor MESKILL. Yes, it will.

The CHAIRMAN. Right. I hope we can help you in those areas, Governor, and we appreciate your very fine statement here today.

Governor MESKILL. Thank you.

The CHAIRMAN. I believe Senator Hansen came in afterward; I passed him previously.

Senator HANSEN. Thank you, Mr. Chairman.

I don't have any questions to add to those that have been put. Your responses have been very helpful. I happen to believe, as I am sure a number of people do, that Governors of the States know and understand the problems of welfare about as well as anyone. Certainly your appearance and your testimony underscores that fact.

Thank you very much, Governor.

Governor MESKILL. Thank you.

The CHAIRMAN. Senator Fannin?

Senator FANNIN. Thank you, Mr. Chairman.

Governor, I regret I was not present to hear your statement or your full testimony, but I commend you on what you have stated on the very first page of your testimony about assuming the political liability of local and State welfare administration. I am very strongly in favor of holding it at the State level, being a former Governor, because I believe the State can do a far better service to the individuals than can the Federal Government. The big problem, as I see it, is the payments that are involved, the money that is involved; and, as I said many times, unfortunately the Federal Government is taking the attitude that we don't need to have our money directly tied in with a payment of welfare. In other words, we are not willing to say that when we spend a certain amount of money, several billion dollars, we will tax for that amount; whereas, you at the State level—I assume your State is like mine—you cannot spend money that you do not have; is that right?

Governor MESKILL. That is right, generally. That is right, Senator. We have a couple of exceptions but——

Senator FANNIN. Well, Governor, don't you think that it would be highly expedient if we would have some basis of making the amount of money that has been spent commensurate with the amount of money that can be raised by taxes or some other means? Wouldn't you be in favor of that?

Governor MESKILL. Yes, I would.

Senator FANNIN. I know that on the—I believe—the second page of your testimony, that the Federal Government matches 100 percent the

State's cost of assistance payments for aid to families with dependent children at a level equal among all States at $2,400 and with a hold-harmless clause beyond the $2,400 based on expenditures 1 year prior to the effective date.

Of course, I recognize the problem you have at the State level and I recognize your desire to be fair and equitable with people in every State of the United States. I am just worried about what might happen when we say that you are going to be held harmless; that is, you are going to be responsible for increased expenditures.

Now, I wish we could have the same control that you have at the State level at the Federal level, but, at the same time we have a responsibility to insure that Federal money is administered properly and within the intent of the laws involved.

Don't you see a problem that if a State government is going to be held harmless then we would need controls at the Federal level? Is that true?

Governor MESKILL. Well, it was my intention to have the amount really frozen by trying it into the expenditure level of fiscal year 1973——

Senator FANNIN. I understand.

Governor MESKILL (continuing). As I give in my example so it would not be a matter of whatever we spent in the future would be based on what we spent last year.

Senator FANNIN. It would be, but if the Federal Government gave you other programs and, that is what you are basing it on, you don't want to be held responsible for those programs. Is that what you are intending? In other words, if additional expenditures are there, you want to be sure that the Federal Government is going to take care of that rather than place the burden upon the State. A good example of it could be in the medicaid program or programs we have inaugurated and passed where we start out at a Federal level and pay 100 percent and then gradually bring it down to where the States are assuming the complete burden.

Governor MESKILL. Senator, I was not trying to—actually, I was pretty much taking the position that the State ought to be held jointly responsible for those things that we can control and where there would be an incentive for us to control it, that is, primarily on the administrative costs. On the basis of the other payment, the $2,400 figure is really what was basically in H.R. 1 and the reason I used the hold harmless on the larger figure was because Connecticut and some other States pay at a much higher rate than that.

Senator FANNIN. Of course, what I am getting at is the Federal Government matches 100 percent of the State's costs with assistance paid for these different programs and you will be making a determination of who is deserving and who should receive the funds.

Governor MESKILL. According to some broad guidelines.

Senator FANNIN. That is what I am talking about; in other words, some broad formula. You would not be in favor—you would not expect the Federal Government to just give you a blanket authorization that would go beyond what your statement presents; is that correct?

Governor MESKILL. No, Senator, I see what you are driving at now. I firmly believe that where the Federal Government funds a program they have not only a right but an obligation to have some control over

how that money is spent, otherwise there would be no—absolutely no guarantee at all the money would be spent wisely.

Senator FANNIN. That is my great concern. Of course, we don't know what the condition is going to be in the future; as I say, we can't spend money we don't have. We have been doing it but I don't think we can continue it too long.

Governor MESKILL. That is a luxury we don't have in the States.

Senator FANNIN. That's right; it is a luxury and a very unsatisfactory luxury unfortunately if we look at the Federal debt, and that is a subject in itself, I do thank you for your testimony for it has been very helpful.

Governor MESKILL. Thank you, Senator.

The CHAIRMAN. Thank you very much, Governor.

Well, then, that concludes today's hearing.

Tomorrow we will hear from the Honorable Henry Bellmon; Lawton Chiles; George Wiley, executive director of the National Welfare Rights Organization; Joseph H. Reed, executive director of the Child Welfare League of America, Inc.

(Whereupon, at 3:40 pm.., the hearing was adjourned, to reconvene at 10 a.m., Wednesday, February 2, 1972.)

SOCIAL SECURITY AMENDMENTS OF 1971

WEDNESDAY, FEBRUARY 2, 1971

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

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

Present: Senators Long, Anderson, Talmadge, Fulbright, Harris, Byrd, Jr., of Virginia, Nelson, Bennett, Curtis, Jordan of Idaho, Fannin, and Hansen.

The CHAIRMAN. The hearing will come to order. Other Senators will be along as we proceed.

The first witness this morning will be the Honorable Henry Bellmon, U.S. Senator from Oklahoma.

Mr. Bellmon, we are pleased to have you here with us today. You will be seeing more of your colleagues as you proceed with your statement.

STATEMENT OF HON. HENRY BELLMON, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator BELLMON. Thank you, Mr. Chairman. What is the time limit? Do I have 10 minutes or do you have a limit?

The CHAIRMAN. We are trying to hold to a 10-minute statement in chief but if you overrun it somewhat——

Senator BELLMON. I will be as brief as I can.

Mr. Chairman and Senator Curtis, I appreciate the opportunity to be here this morning. This matter of welfare reform is something that has interested me a great deal, particularly from the time I served as Governor and had the responsibility for administering the welfare program in Oklahoma.

The CHAIRMAN. Just take your time. If you want to, we will give you enough time to make your statement.

Senator BELLMON. In my judgment, welfare is undoubtedly the most important matter the Congress will consider this year.

My purpose here is to make a few brief comments relative to S. 1837 and S. 2669. These are bills which I introduced and are now pending before the committee and they have a relationship to H.R. 1.

Since I introduced S. 1837 on May 12, 1971, the Congress has enacted Public Law 92-223 which included the Talmadge amendment and this pretty well covers some of the same material I want to talk about.

This is a much-needed, vital and far-reaching piece of legislation relative to improvement of the work incentive program and technical assistance for providers of employment or training. I wholeheartedly endorse the principles of the Talmadge amendment.

There is one change in the Talmadge amendment I would like to recommend to the committee.

As the law now stands, the responsibility for administering the work incentive effort is divided between the Department of Labor and the Department of Health, Education, and Welfare. Such divided responsibility is not conducive to best results. My bill provides that the program be administered by a single Federal agency who will contract with a single State agency, preferably the welfare department. I would recommend that States at least be given the option as to which agency be assigned this responsibility. Such an approach would perhaps provide a valuable comparison that would decide which agency could do the best job.

During the time I served as Governor of Oklahoma, from 1963 through 1966, title V of the Economic Opportunity Act was operative. In Oklahoma the department of public welfare did what I consider to be an outstanding job in the administration of title V, which was implemented as a work training program with 100 percent Federal reimbursement to persons who were recipients of AFDC assistance.

In Oklahoma during the brief time it was in limited operation—it was in operation in only seven counties; we didn't have time to get it in operation all across the State or the results would have been even better—this program resulted in 2,482 persons trained, 2,119 persons being gainfully employed in the labor market and 1,272 AFDC cases closed. This means those people were able to start earning their own way and in general earned about twice as much money per family as they would have gotten from AFDC. A savings of about $2.5 million a year to the taxpayers of Oklahoma was the result.

Now, I am advised——

Senator CURTIS. For what jobs were they trained mostly?

Senator BELLMON. They were trained to be food handlers, to work in nursing; some of them were trained to be office workers; they are trained for productive jobs in the private sector. Some of them did go to work for a State agency but primarily they went to work in private enterprise.

I am advised by the Oklahoma Public Welfare Commission and its director, Lloyd Rader, that the WIN program, which replaced title V, while being somewhat effective, is not presently doing the job for the following principal reasons:

One is an insufficient number of slots for work and training that are available. The other reason for limited success is those that operate the program for the Oklahoma Employment Security Commission, while dedicated public servants do not have the training or motivation to counsel and cope with persons who have little or no work experience and who lack motivation and confidence to seek gainful employment after completing training. You are dealing here with a special type of person who is different from the type person the employment security commission usually deals with and it takes someone with a certain amount of social training and motivation to get these people

to become gainfully employed and this seems to be where the present WIN program is falling down.

Mr. Chairman, by placing responsibility for support, training and job placement in one agency, I feel a greater success is more likely since the agency would be more motivated to help its clients become self-supporting. Such is not the case when one agency simply unloads its failures upon another agency and this is what happens now. When the employment security commission fails to get a person gainfully employed it is the welfare department that pays the cost of his failure and if we had the whole responsibility in one agency, I feel they would do a much better job.

At least in cases where the State employment agency is unable to place welfare recipients into work or training, I feel the State welfare agency should be allowed to undertake job placement or training while continuing to make assistance payments.

Members of this committee are well aware that the costs of the AFDC program have risen alarmingly from $1.02 billion in 1960 to more than $4 billion in 1970. Proper application of the Talmadge amendment should bring a reversal in this trend. I commend the distinguished senior Senator from Georgia for his leadership in gaining passage of this legislation.

Mr. Chairman, one of the conditions which contributes most to the AFDC caseload is the failure or refusal of parents who have abandoned their children to provide child support. I realize that improvements in this situation are contemplated in H.R. 1.

Last October 7, I introduced S. 2669, which was this week reintroduced as amendment No. 852 to H.R. 1. I wish to call this amendment to your attention since I feel it will do much to reduce the incidence of child abandonment, to stabilize family life and thereby reduce the AFDC caseload.

Members of this committee are well aware that enforcement of present child-support laws is difficult and in many cases prohibitively costly. As a result an irresponsible parent can refuse to make child-support payments almost with impunity. When this happens the children frequently undergo great hardship and generally become recipients of AFDC payments.

This amendment places responsibility for child support where it properly belongs, on the children's parents and provides an effective enforcement system. It creates a Federal Child Support Security Fund and provides that when a responsible parent refuses to make court-awarded child-support payments for a 3-month period, the payments in amounts established by the courts will be made from the fund.

If I could explain for just a moment, what the amendment does is make it possible for the mother or the parent who is entitled to child-support payments and does not get those payments for any 3-month period to apply to the fund and receive the payments in this way.

The amount of payments made then becomes an obligation of the responsible parent to the Federal Government.

The Secretary of Health, Education, and Welfare is given the necessary authority to collect from the parent an amount necessary to reimburse the fund. The Secretary is authorized to call on the Attorney General or other Federal officials, departments or agencies for infor-

mation or necessary action to locate the parent and to recover such payments.

By utilizing the social security system, regardless of where a responsible parent may be employed, the Government would be able to locate the parent and collect the child-support payment.

For example, the payments could be deducted from Federal withholding taxes, veterans' benefits, farm subsidies, or other payments due the parent from the Federal Treasury.

Mr. Chairman, this is strong medicine. The amendment should greatly reduce the incidence of child abandonment in this country. Parents who know they cannot evade their responsibilities to their children will be far less tempted to break up their families.

Mr. Chairman, at this point I would like to express my personal appreciation and gratitude to you and the other committee members who resisted being stampeded into bringing out a bill which, in my opinion, would have the effect of destroying the individual States' trained administrative staffs. Under H.R. 1 present State welfare workers would be replaced by the hiring of an estimated 80,000 new Federal employees. This would greatly add to the administrative expense and could reduce the level of service rendered to needy people for many years.

I commend to your consideration and approval the basic recommendations relating to welfare reform enumerated by the Governor's Conference. However, I strongly feel that the States must continue to bear a share of the cost of welfare; otherwise, the Congress will annually be forced to deal with the largest and most powerful lobby conceivable. Requiring each State to bear 10 percent or more of the costs of its welfare effort should help make the program manageable.

Mr. Chairman, I support the recommendation which I understand you have presented to this committee and to the public through the news media. As I understand your proposal, Congress would mandate State administration, with primary Federal financing. This type of administration would be similar to the relationship between the Department of Labor and the employment security commission of a State. This system has generally worked satisfactorily. I believe it will succeed in the administration of a new welfare program.

Mr. Chairman, in conclusion, I wish to advise the committee that while I strongly support the concept of welfare reform and generally support the principles of H.R. 1, I am unalterably opposed to the method of administration as set out in the House-passed bill. I cannot support the building of a bigger and bigger Federal bureaucracy. Given workable legislation and a high level of Federal financial support, I believe the States can and will administer the program far more effectively than a new Federal agency can do.

The CHAIRMAN. Thank you very much, Senator. I think you made a fine statement.

The more I think about this idea of Federal administration, the more concerned I become at the erroneous decisions of the courts in welfare matters. The courts are very poor lawmakers; they are very poor legislators. They were not picked for that purpose. They were picked because they had a judicial temperment and had the ability to

be impartial and which is not at all the kind of credentials you are looking for when you pick a legislator.

Senator BELLMON. That is correct.

The CHAIRMAN. One difficulty is that when you are contending with the Federal judiciary, which is appointed for life, the public is powerless to do anything about errors they make. Presumably they are supposed to follow their previous decisions, so when they make an error, they regard it as a precedent, and for logical reasons they continue to make the same error, do they not?

Senator BELLMON. That is certainly true, Mr. Chairman.

The CHAIRMAN. Now, furthermore, HEW comes down with regulations that make no sense at all. But what is your recourse? You can't vote the fellow out of office. He does not run for office, and it is often not the person at the top who does it.

Bob Kerr used to give the illustration of Gulliver and Lilliputians, how Gulliver fell asleep and those Lilliputians had him tied down, and they wouldn't let him get up until he promised to do their bidding.

Those who have stayed over there in HEW for 20 years have these great ideas of a guaranteed wage for not working, and when their regulations proved to be totally wrong and defy all commonsense, have you observed how difficult it is to change them if it is the Federal bureaucracy handling it?

Senator BELLMON. It is not only difficult, it is almost impossible.

Mr. Chairman, we are all familiar with the European countries, for instance, Italy and France, that seem for a time at least to have had a change of government once a month, and yet really nothing changes; the same people were running the government, even though the man at the head of it had a different name, and we are getting pretty much in that same state in our country. The bureaucracy pretty much makes the decisions as to how it is to be operated, and it doesn't change when we have an election.

The CHAIRMAN. Thank you very much.

Senator CURTIS. Senator, I want to express my gratitude for your statement. You have been very helpful. I especially agree with you in your observations about the Labor Department. There are fine people in that Department, but their past experience and the job to which they have been assigned to over the years, contains nothing that really fits them for handling welfare cases; isn't that correct?

Senator BELLMON. That is exactly right, Senator Curtis.

Senator CURTIS. I think that is one of the errors of existing law and one of the errors of H.R. 1. If we would adopt H.R. 1 as the House passed it, and turned this big task over to the Labor Department, their experience and their know-how are along different lines.

I would like to ask you this other question: Does the Labor Department have any particular competence in dealing with the problems you find in a rural or agricultural area—I mean, by reason of their experience and past assignment of duties?

Senator BELLMON. Senator Curtis, in my State, the State of Oklahoma, which I know best, the Labor Department does not even have offices in many of our rural counties. The welfare department has an office in every county and a staff of social workers to take care of the

needs of the welfare recipients in that county; but in most counties—in many of the rural counties—the Labor Department sends a person in perhaps once a week or once every 2 weeks to take care of unemployment and related problems, and it is sometimes difficult to make contact with that agency on a local level.

Senator CURTIS. And, of course, H.R. 1 would assign this to the Labor Department in Washington, the Federal Labor Department, and, it seems to me, that an agency that is dealing with welfare problems has the advantage of certain insights and experience that would help them in securing employment for that same welfare family or individual?

Senator BELLMON. Well, that is entirely right. There is another difference in the agencies. I remember very distinctly that in our State, we had the vocational rehabilitation program set up to operate separately, and there was a tendency for the vocational rehabilitation people to want to make a good record, and they would virtually and sometimes literally refuse to accept a case that didn't seem to have a very good chance of succeeding. They liked to be able to come to the legislature and say, "We have succeeded in 90 percent of the cases that we worked on," and therefore they might refuse to even accept a case involving someone who would perhaps be mentally retarded or who might have a very severe physical handicap that made it look like they might not be trainable and employable.

But this is not the case with the welfare department; they had to take everyone. We have now placed the vocational rehabilitation program in the hands of the welfare department in my State, and, in my judgment, it is working much better, although if you would look at the record of successes, the percentages are not as great. The fact is they have provided a lot of services to persons who would not be cared for under the old setup. In my opinion, the Labor Department would be very reluctant to accept some hard-core unemployed person and give him support, literally nursing him along, which is what it takes to carry him along and make him self-supporting.

Senator CURTIS. I want to commend you for your contribution relating to compelling parents to support their own children.

You might be interested in knowing what the Governor of California testified to yesterday. He was discussing this same problem. He said the State of California waived their portion of any recovery that local officials could make from these errant fathers and let that go into the county fund as expenses for pursuing these cases and prosecuting them. He said, that this had met with a great deal of success. He made the recommendation that from the Federal standpoint we give to that unit of government, which was to be the local government, all the money they recovered from these people, because we have lost nothing. As it stands now, the Federal Government never gets that money. But if local authorities collect enough money to pay their expenses in these cases they also take the man off relief so far as the future load is concerned.

Senator BELLMON. Senator, that might be helpful so far as an intrastate problem is concerned but we have a problem—I am sure you do too—where many of these fathers leave the State and then the mother or her lawyer is supposed to go into another State and start a lawsuit

and sometimes is able to collect the delinquent payment; it generally costs as much to collect the payment as the mother recovers, but often it is a futile exercise, so I think this amendment which places this problem on a national basis, which gives it to the Department of Health, Education, and Welfare who has all the employment records, would pretty much put an end to this child abandonment.

Senator CURTIS. It is entirely possible that both ideas could be utilized.

Senator BELLMON. In our State our welfare department has a system, as I understand it, whereby if a mother comes in and applies for AFDC and if she is entitled to child support, as a result of court order, then she assigns this child support to the welfare department and the welfare department's attorneys go about the process of collecting those delinquent payments and we have had quite a good record of success in this way; but this still does not get at the problem of the parent who leaves the State.

Senator CURTIS. This is somewhat unrelated but another suggestion that came out of the same discussion was that not only should welfare applicants give their social security number and that their checks carry that number but also that an applicant for welfare supply the social security numbers of all members of that household, including the social security numbers of someone who is ordered to pay support money. That would bring all of those facts into one file when they needed it.

Senator BELLMON. Well, Senator Curtis, the amendment I have proposed to you, and I am sorry to say apparently the pages are not numbered, has in it something similar. It says it is the duty of the adult recipients of aid to families with dependent children to provide information concerning deserting parents and certainly everything we can do to make certain these people can't just bring children into the world and then abandon them, and I would favor anything in that direction.

Senator CURTIS. You have made a good contribution to our deliberations.

Senator TALMADGE. Senator Bellmon, I regret I was not present to hear your beginning testimony. I have read your statement and I compliment you on it. I think you have made a great contribution to the committee in its future deliberations on this bill.

As you pointed out, and as members who have listened to these hearings well know, the principal problem with welfare rolls is the fact that parents, usually the father, abandon the children, disappear and let the mother and the taxpayers support them.

Do you think it would be wise for Congress to pass a law making it a crime to abandon children and go into interstate commerce to avoid supporting them?

Senator BELLMON. Senator, I would favor such a proposal and feel that it would help discourage abandonment; but, at the same time, I think some amendment to H.R. 1, such as I proposed, would still be a good thing.

Senator TALMADGE. I agree. I think we can go both routes. Of course, in virtually every State, abandoning children is a misdemeanor but it is difficult. It seems to me if you made it a Federal crime and in view of the penalty it would stop a good deal of the child abandonment.

Senator BELLMON. I agree and I feel it is possible to make child abandonment in this country virtually impossible because if we trace these people through the social security number, no matter where they go to work we will be able to find them and collect the delinquent payments.

Senator TALMADGE. It is a crime to avoid paying the income tax; why shouldn't it be an equal crime to abandon your children and let the Government support them?

Senator BELLMON. It would be a greater crime.

Senator TALMADGE. I agree.

Senator BELLMON. The way this amendment would operate, if a worker was having payments deducted from his weekly income, his salary, for income tax, that money would go to pay child support, and at the end of the year he would still owe his income tax.

Senator TALMADGE. I agree with that.

Senator Long has suggested a proposal which, I think, is good if we have our social security records available where we can trace this missing fellow and if he is earning income we can just issue a fieri facias on his income to support his children.

Senator BELLMON. Yes, sir.

Senator TALMADGE. Thank you very much, Senator.

No further questions, Mr. Chairman.

Senator ANDERSON (presiding). Senator Hansen?

Senator HANSEN. I would just like to compliment our distinguished colleague from Oklahoma for his testimony this morning. I think we cannot escape the realization that he speaks from experience. He has had the responsibility as Governor of his State to come to grips with these problems and I think that his testimony certainly reflects not only his concern but also his very critical and astute observations of the ramifications of the problem.

Senator BELLMON. I thank my friend from Wyoming. I would just like to say you know he is a former distinguished Governor. Probably our State has more of a welfare problem than Wyoming because our State has been recognized for years as No. 1 so far as per capita income we devote to welfare problems. We have had a fairly generous system for a long time.

Senator BENNETT. Mr. Chairman, I would just like to say that this testimony is particularly appealing to me because it gives us one or two new ideas as to ways in which we can try to handle this very old problem and I am sure the committee will look at them very carefully when we meet in executive session.

Senator ANDERSON. Senator Harris?

Senator HARRIS. I have no questions.

Senator BELLMON. Thank you, gentlemen.

Senator ANDERSON, Mr. Wiley?

Mr. Reid?

STATEMENT OF JOSEPH H. REID, EXECUTIVE DIRECTOR, CHILD WELFARE LEAGUE OF AMERICA, ACCOMPANIED BY JEAN RUBIN, STAFF

Mr. REID. Mr. Chairman, I am Joseph Reid, the executive director of the Child Welfare League of America, and I am accompanied by Miss Jean Rubin, one of our staff people.

I am authorized to speak on H.R. 1 and related legislation on behalf of the board of directors of the Child Welfare League of America.

We appreciate the opportunity to appear before you and filed a full statement earlier.

I would like to comment briefly on two particular aspects of the bill, particularly title IV and title V, dealing with social services.

The Child Welfare League has supported a national income policy with national standards, to assure that all people, including the working poor, may have at least a minimum standard of living sufficient to maintain health and human decency. But we believe these programs have to be equitable and efficiently administered; they must be designed to protect the welfare of children and encourage family stability.

It is going to be particularly in regard to children that our comments will be directed. There are many other aspects of the bill but we consider our primary knowledge and competence to be in respect to children.

We certainly agree that the present system is badly in need of improvement but, unfortunately, we believe that title IV of H.R. 1 is so inadequate and so inequitable that it will prove harmful to the majority of needy children and families covered under its provisions.

It is a retrogressive rather than a reforming measure in terms of what it does for children.

We believe title IV of H.R. 1 creates a welfare system that would make conditions even worse than they are now for needy children and families. We do not think it fulfills the administration's original proposal for reform nor does it meet standards of principles for a sound national income policy.

But before going on to details of some of our objections to title IV, I would like to turn to section 513 of title V, part B, which deals with certain child welfare services, because we want to strongly support certain of the provisions that are in H.R. 1.

There has been a pressing need for funding for foster care and adoption services for years that has been recognized by the States and, particularly, the counties that, for the most part, have to bear the cost of foster care out of local real estate taxes. We have urged for years an equitable share of Federal financing for this group of children. In fact, children in foster care and adoption are perhaps the most neglected by the Federal Government of any group of people in the country. Less than 10 percent of the expenditures of States and counties for these purposes are financed through Federal funds. The rest is borne locally.

In 1967, Senator Long and several other Members of the Senate introduced amendments that would have rectified the situation but unfortunately these provisions were lost in conference. So we are very pleased that the administration and the House have now joined the Senate in acknowledging the acute need for Federal funding in this area.

We would, however, like to add an important caution. Although the proposals in H.R. 1 would add between $150 and $220 million for foster care and adoption services, we believe it absolutely essential that there be a maintenance-of-effort provisions included in the bill.

There is no point of substituting Federal funds for State and local funds because children would simply be precisely where they are now, disadvantaged.

It is essential that Federal funds be used to improve the quality and the quantity of foster care and adoption services that are available.

Another provision of the bill regarding subsidized adoptions is good—as far as it goes. Allowing a small subsidy to parents who will adopt what we call unadoptable children, those that are physically and mentally handicapped, the subsidy being limited to physically and mentally handicapped children, does not go nearly far enough. The largest number of children that stay on in foster care but who could be adopted, if parents were given some subsidy to enable them to do so, are not the physically and mentally handicapped but most frequently those children from minority groups, from very large families, and in other circumstances.

We estimate that subsidies have been tried now by 14 States. Subsidies of approximately $1,200 a year, for as little as a 2- or 3-year period, can have a State total costs between $40,000-$50,000 to rear a child in foster care.

We strongly recommend that the subsidy system be extended to any child who otherwise could not be placed in an adoptive home.

We also strongly support amendment No. 411, that Senator Griffin has introduced to H.R. 1, which would make $1 million a year available to set up a computerized system of tracking children, for a national adoption exchange.

As you know, each year thousands of children are lost in the foster care system and they stay on unnecessarily in care because no one is really seeing what happens to that child and his family. We believe one should eventually set up a simple computerized tracking system, and tie that in with a national adoption exchange such as Senator Griffin has recommended in his agreement. A child found to have been in foster care and abandoned by his parents could then be referred to the exchange and these children could be placed for adoption with families in other parts of the country.

The Child Welfare League has experimented with such a system—not the computerized tracking system but with an adoption resource exchange—and has now placed hundreds of children that heretofore would have stayed on in foster care. For example, a dwarfed child found in Oklahoma has been placed in Australia. A child in a family of seven children needing adoptive placement out of the State of Montana has been placed in the South. I could give dozens of examples of the savings that have occurred in human lives but there also have been very real financial savings too. The cost benefit of such a system funded by this $1 million expenditure, I can assure you, would be very, very great.

I would like to go back just briefly to title IV to state that the underlying purpose of welfare assistance, in our opinion, has to be that the child will benefit, that the child will not suffer when circumstances leave him with no means of subsistence. We are sympathetic and fully support efforts to get parents to support their children, to find deserting fathers, et cetera; but whatever measures are taken to get adults to

support their children cannot in themselves cause children to suffer. Our firm belief is that many of the provisions of this bill, perhaps inadvertently but inevitably, will harm children while we are trying to get their parents to do what we consider to be their duty.

There is one particular thing I want to emphasize about this bill: we do not think it is a bill that is intended to help children. You cannot have a bill whose primary effect is on employment rather than help to families without hurting children. I would like to refer specifically to the day care provisions of H.R. 1, which, frankly, are a travesty and will be of serious injury to children if the cost projections that were furnished you by the administration are the ones that are going to be used to administer this bill.

In 1967 the Department of Health, Education, and Welfare furnished the Congress estimates of the cost of day care. I want to refer just briefly to "foster day care" because this is the plan of day care that HEW plans to use for at least 90 percent of the children, not group day care.

This is where a mother is paid to take care of as many as six children in her own home.

HEW estimated in 1967 for the Congress that it would cost $1,423 for minimal foster day care and up to $2,372 for desirable day care. But in 1971, HEW furnished new estimates. HEW had originally talked about "minimum," "acceptable," and "desirable" kinds of care. HEW changed the words to describe care in 1971 to "custodial" and "developmental." Whereas "minimum" foster day care 4 years ago cost $1,423, the cost in 1971 for "custodial" care is $781. Whereas "desirable" foster care cost $2,372 4 years ago, "developmental"—this thing that is going to benefit children—now can be accomplished for $866.40.

We have inquired of HEW the basis of these statistics; they assure us there are other funds that they plan to get some place or other to help finance these services.

They plan, for example, to provide nutritious food for children, two meals and a snack each day, for 40 cents. They are going to use school lunch funds or something which the administration has just recommended be cut back for supplementing food costs.

All through these cost proposals are extremely unrealistic cost projections that would not enable the country to provide care to children that would be other than harmful.

If $2,372 a year was necessary for "desirable" care in 1967, and our own research bears this out, by what miracle, after 4 years of inflation, can "development" care be provided at about one-third the cost?

I will stop with that. My time is up.

I do want to add just two things: We believe at this point that it would be best not to pass title IV. We believe that Senator Talmadge's Public Law 92-223 and some measure of fiscal relief for the States would be a more satisfactory solution to the welfare problem at this time—until the country and the Congress can make up its mind as to whether it really intends to help children or to harm them. Obviously, the Congress does not intend to harm children. We have, on the one hand, a child development bill that contained good policies

and good standards which was vetoed and, on the other, a bill that is going to allegedly help children but which is extremely harmful.

These things have to be worked out before legislation can be passed, in our opinion, that will not inadverently, at least, harm thousands of children.

Thank you for allowing us to appear.

Senator BENNETT. I have no questions.

Senator CURTIS. Mr. Chairman, would you tell us briefly who and what constitutes the Child Welfare League of America?

Mr. REID. Yes, sir. The Child Welfare League is approximately a 50-year-old organization. It is made up of 378 child welfare agencies throughout the country, public, private, sectarian and nonsectarian agencies. The Child Welfare League is a standard-setting organization like the American Hospital Association. Members must meet certain standards in order to join the league.

I should add, Senator, that we are not necessarily speaking for each of our members. We speak for our board of directors, but in this type of complicated legislation we certainly would not assert that we are speaking for every one of our members.

Senator CURTIS. What is your basis purpose?

Mr. REID. Our basis purpose is to raise standards in the child welfare field, and particularly to improve conditions for those children who are outside their own homes, such as adopted children and those in foster care.

Senator CURTIS. Does part of your program deal with children other than children on welfare?

Mr. REID. Yes, sir; the majority does.

Senator CURTIS. I use welfare in its broadest terms.

Mr. REID. Yes.

Senator CURTIS. You are interested in children generally?

Mr. REID. We are interested in children generally. We are interested in those services which prevent children from losing their homes and prevent them from going outside their own homes.

Senator CURTIS. What you are pointing out is that purely from the dollar standpoint the adoption of a child who otherwise might be dependent on the public, is a very substantial savings?

Mr. REID. Very substantial savings. We have found now through our system—we have no National Adoption Information Exchange comparable to the one Senator Griffin is recommending—we reduce the cost of placing a child from $235 to $202.

Since it costs on an average $2,900 for placing children in a foster home, multiply the number of years that a child is going to be in foster care until he becomes an adult and the saving will be between $40,000 to $50,000.

Senator CURTIS. Are there any States now that pay an adoption subsidy?

Mr. REID. Yes, sir; there are 14 States. I would be glad to——

Senator CURTIS. About what is the range of it? You don't need to give me an individual breakdown.

Mr. REID. The range is approximately $50 a month to $100 a month in the States, and State laws vary. Some States permit subsidy for an unlimited period of time; others limit it to 2 years or 3 years, some-

thing of that sort. Primarily, the subsidy is for families in which the family has sufficient current income to support themselves. For example, they may be young families that feel they cannot afford at this point to adopt the child. It may be a nonwhite family that feels they may be the last hired and the first fired. It may be a foster family, a family that has taken care of this child in a foster home but paid by the State, which is now willing to adopt this child, to make it a permanent home, but need a period of financial help for a period of transition. The States who have tried this have reported great success and have enabled hundreds of children to move off of foster care and out of institutions.

Senator CURTIS. I have had a lifelong interest in adoption for a very special reason. Do you have a problem that if the subsidy payment was too high—that it might be turned to as a sort of means of obtaining income or employment rather than a supplement for the adoptive parents to be enabled to give the love and guidance and home to a child?

Mr. REID. Had you asked me that question, Senator, a few years ago, I would not be quite as definite as I can be now, but we have conducted research on two experiments, one in New Orleans and one in Seattle, Wash. A man by the name of Casey of the United Parcel Service financed it. He does not believe in governmental aid; he financed a private experiment that cost $300,000 to test precisely what you are talking about.

He believed we could get more stable homes if people were paid for their labor; he thought you could compete in the labor market and get certain women to go to work and be foster parents if you paid them what they earned in industry.

Senator CURTIS. Now, you are talking about foster parents rather than adoptions?

Mr. REID. But if you will bear with me just a moment, I will move into adoptions. Foster care does not simply attract people who want to make money. It simply attracts people who are well-motivated. We have studied that for several years and the adoption picture is the same thing.

The amount of subsidy paid is often one child at $100 a month. I don't think it is going to attract a person as a job. Now if it were $500 a month, something of that sort, you would question it.

Senator CURTIS. I am not in position to question it. But it just came into my mind because I have observed this a long time and I am thoroughly convinced that you cannot buy or hire love and affection and concern——

Mr. REID. Of course not.

Senator CURTIS (continuing). For any purpose.

On a yearly basis, what did you estimate the savings were of an adoption subsidy and a foster home?

Mr. REID. At the maximum we recommend which is $100 a month, the saving would be at least half. In other words, it costs us $2,900 as against $1,200 so you have a $1,700 saving. We are not recommending subsidy for an indefinite period, rather for a relatively brief period, a transition period.

Senator CURTIS. And it would depend upon the age of the child, too?

Mr. REID. That is correct, sir. That would have a great deal to do with it.

Senator CURTIS. It seems to me it has possibilities, because there may be some parents who just are longing to do this but financially they just can't see their way to do it.

Mr. REID. Well, for example, rural families that have frequently proven to be the best of foster parents, may have several children in their home; they want to take in one or two more.

Senator CURTIS. As a matter of fact, most of our law discriminates against adopted children.

Mr. REID. That is correct.

Senator CURTIS. This morning I directed the drafting service to draw a bill, because an adopted child was turned down for survivor's benefits under title II of the Social Security Act because a licensed welfare agency hadn't supervised the adoption. Now, what that has to do with the justice to this child is beyond me, and that was the Congress' mistake. It is in the law. I thought first that it was in the regulations but I found it was in the law.

We had a situation here in the District of Columbia in the early days of World War II where the schools were very crowded and they just didn't have room for people and so they had to scramble to find reasons to reject kids. The law sets forth who can go to school in the District of Columbia. The corporation counsel ruled that that did not include adopted children and one parent came to one of the schools in the District of Columbia with four children; two of them were adopted and the principal said, "These two can come in but these two can't." That was changed.

Mr. REID. I am sure that the thousands of adoptive parents of the United States and the children and agencies appreciate that.

Senator CURTIS. I shouldn't take so much time of the committee but I do want to ask you to elaborate why a family assistance plan is in the interest of children.

Mr. REID. Let me start, if I may, with the simple day care illustration:

You are going to say to a mother, "You must leave the home for work or training," particularly a mother with children, with young children. Though the Talmadge amendment would make it age 6—the amendment, not H.R. 1—this bill would eventually permit a State welfare department to force a mother with children from three up to go to work, whether or not the mother in her estimate believed she could handle her children and a job, and there are many mothers who cannot. Let us take a mother with three children, for example. If, in her opinion, and I am talking about her genuine opinion, she could not carry a job and do right by her children and rear them respectively—let's say she lives in a very rough neighborhood, which is very common in this country—if she refused, in the first place $800 would be immediately taken away from her subsidy. Obviously, three children and a mother cannot live on $1,600 if $2,400 is required.

She is required to place her children in day care without decent standards. I think the legislative history on H.R. 1, partciularly in the House, clearly indicates that it is the desire not to have standards in any way interfere with putting people to work. The child may be

placed in a home, in fact, of necessity is going to be placed in a home, of a woman that will be paid $1.40 an hour, because that is what HEW's statistics figure she ought to be earning up to $60 for caring for six children 10 hours a day. They are going to spend a year training this woman on welfare who may or may not have the knowledge, the emotional stamina to rear six children, and two of them can be under 3, can be infants.

We don't approve that type of care for 10 hours a day to children who are already in families in which the odds of their growing up to be productive children ave been severely limited. To further handicap a child by placing him in a child care situation that does not take advantage of those 10 hours by giving the child the stimulation, the medical attention, the attention a child needs to be well nurtured, is only going to insure that most of those children will grow up to be on the relief rolls.

I think there is example after example in the bill where in our effort to try to make certain that parents live up to their obligation we, at least inadvertently, are damaging those children because the bill takes a disproportionate amount of money from those families in order to punish the adults. The parents are going to eat. The amount of food that is going to be consumed by adults is going to be just as much whether or not we take the grant away from the father or mother. The children are going to get less.

I think there is instance after instance in the bill where these two things are incompatible. I share the desire to see parents support their children, but I don't share it if it means we have to punish those children because I think we all agree it is not the children's fault.

Senator CURTIS. I agree. I was going to ask you one question, and if you can give a brief answer, do you think that the problem in reference to children which you have discussed is greater under H.R. 1 as it passed the House than under existing law?

Mr. REID. Yes, sir; we do.

Senator CURTIS. That is all, Mr. Chairman.

Senator HARRIS. I just want to say that I agree with your testimony in every particular. As I have said before, I think no bill at all is better than H.R. 1. It is not reform, and it may be that the best we can do this year is to get some fiscal relief to the States and then try to educate the public and Congress to the point where we can pass a real welfare reform.

I think another thing that is very significant about your testimony is that it gets the focus back where it belongs in welfare reform, and that is on children. So I appreciate very much your coming and giving us your comments.

(The prepared statement of Mr. Reid follows. Hearing continues on page 2051.)

STATEMENT OF JOSEPH H. REID, EXECUTIVE DIRECTOR, ON BEHALF OF THE CHILD WELFARE LEAGUE OF AMERICA

SUMMARY

The Board of Directors of the Child Welfare League of America has affirmed its belief that there should be a national income policy with national standards to assure that all people, including children, may have at least a minimum standard of living sufficient to maintain health and human decency. These programs

should be equitable, efficiently administered, and designed to encourage family stability, protect the welfare of children, respect the freedom of persons to manage their own lives and provide incentives to productive activity and encourage self-reliance.

Unfortunately, Title IV of H.R. 1 is so inadequate and inequitable that it will prove harmful to the majority of the needy children and families covered under its provisions. It is a retrogressive rather than a reforming measure in terms of what it does to needy families and children. The underlying purpose of welfare assistance for children should be that no child will suffer when circumstances leave him with no means of subsistance. This purpose is undercut when mandatory employment becomes the major purpose of an assistance program for families with children. The administrative process in H.R. 1 is antagonistic to the concept of individual rights and unresponsive to the basic need of children and families.

Some of the defects and inequities in Title IV include:

low federal benefit level; probable loss of benefits for 90% of current recipients; no required state supplementation or federal matching for voluntary supplementation; eligibility not based on current need; mandatory work requirements for mothers of young children; complex and expensive dual administration of programs by Departments of Labor and HEW, with Labor inappropriately responsible for social services (including child care) for 2.6 million families; high penalties, harmful to children, for failure of parents to comply with various requirements relating to work, training, vocational rehabilitation, drug and alcoholic abuse, quarterly reporting and reapplications "de novo" every 24 months; liability of stepparents for support; lack of assistance for pregnant mother and unborn child; ceiling on disregarded income for child care; federal lien on assets of deserting father without judicial action; federal criminal sanction against deserting father; limitation of rights with respect to hearings and judicial review.

Child care provisions are inadequate, lack proper standards and adequate funding, and will be harmful to children. Estimated cost figures provided by HEW indicate either a lack of concern for children or a deception as to cost of care.

Unfortunately, Title IV of H.R. 1 creates a welfare system which would make conditions even worse than they presently are for needy children and their families. The League must oppose legislation which is contrary to the best interest of children.

Proposals have been introduced to improve Title IV, including Senator Ribicoff's Amendment, No. 599. Provisions of this Amendment are compared with H.R. 1 provisions to illustrate some of the defects in H.R. 1. Regardless of the merits of the Ribicoff Amendment, however, its passage by the Senate would not guarantee that an improved and acceptable Title IV would survive Conference. It is therefore preferable that the Senate eliminate Title IV from the bill.

Title IV does not fulfill the purpose of the Administration's original proposal for welfare reform, nor does it meet the principles and standards of the League for a sound national income policy. Since it would be even more detrimental to needy children and families than the present welfare system, the Board of the Child Welfare League of America opposes Title IV.

The Board, however, is concerned about the fiscal problems of the States with respect to welfare costs. As an alternative to Title IV, the League therefore, supports proposals to ameliorate these pressing fiscal needs. States should be helped at this time to maintain at least the 1971 level of grants and eligibility standards. The League therefore recommends that additional federal aid be given to the States to cover any rise in welfare expenditures over the States' 1971 costs, provided that they maintain their 1971 level of payments and eligibility.

Until such time as a more adequate and equitable welfare reform bill can be achieved, we believe that the combination of P.L. 92-223 and some measure of fiscal relief for the States would be a more satisfactory solution to the present welfare problems than the passage of Title IV of H.R. 1.

In the meantime, we also believe there should be further study to develop a welfare reform plan which will truly safeguard children.

Title V, Part B, of H.R. 1 limits the services available for needy families with children to a list of twelve specific services, and adds new sections on foster care and adoption services to the child welfare provisions of Title IV-B of the Social Security Act.

Present open-end funding for family planning and child care services is retained, but all other services would be funded on a closed-end basis. Provision for "statewideness" is eliminated, and no provision is made for maintenance of state fiscal effort, nor is there any requirement that States provide services.

The League believes the provision for services to needy families with children are inadequate. The League recommends that they should be comprehensive in nature, mandated, available statewide, and funded on an open-end basis with a required maintenance of state effort.

The League supports the provision to authorize an additional $150–$220 million for foster care and adoption services in the States in future years. The League recommends that there be a required maintenance of state fiscal effort with respect to these programs and that the definition with respect to children eligible for adoption subsidies should be broadened.

The League recommends adoption of Senator Griffin's Amendment No. 411 to provide a National Adoption Information Exchange System utilizing computerized modern data processing methods to facilitate the placement of children for adoption.

STATEMENT

My name is Joseph H. Reid. I am the Executive Director of the Child Welfare League of America at 67 Irving Place, New York, New York. I am authorized to speak on H.R. 1 and related legislation on behalf of the Board of Directors of the Child Welfare League of America. We are primarily concerned with Titles IV and V of H.R. 1.

Established in 1920, the League is the national voluntary accrediting organization for child welfare agencies in the United States. It is a privately supported organization devoting its efforts completely to the improvement of care and services for children. There are 378 child welfare agencies affiliated with the League. Represented in this group are voluntary agencies of all religious groups as well as nonsectarian public and private nonprofit agencies.

The League's primary concern has always been the welfare of all children regardless of their race, creed, or economic circumstances. The League's special interest and expertise is in the area of child welfare services and other programs which affect the well-being of the nation's children and their families. The League's prime functions include setting standards for child welfare services, providing consultation services to local agencies and communities, conducting research, issuing child welfare publications, and sponsoring annual regional conferences.

We have appeared before the Congress in the past on behalf of improving public welfare programs for children and their families because we believe that a family income sufficient to meet minimum standards of health and human decency is essential for the healthy growth and development of children and basic to any program of services for children. Fair and equitable treatment of children and their families is essential, particularly when they are unable to earn enough to meet minimal needs and therefore require public assistance.

The Board of Directors of the Child Welfare League of America has affirmed its belief that there should be a national income policy with national standards to assure that all people, including children, may have at least a minimum standard of living sufficient to maintain health and human decency. We believe such a program should provide incentives to productive activity and encourage self-reliance. We believe these programs should be equitable and efficiently administered and should be designed to encourage family stability, protect the welfare of children and respect the freedom of persons to manage their own lives.

Controversy over welfare reform has centered on a variety of issues—the cost to taxpayers, the effects of a guaranteed annual income on the work ethic, the number of unwed mothers, the plight of children whose fathers desert and leave them dependent on public funds, and the consequence to society of depriving children of adequate care and support.

These are pertinent issues of concern, and there are varying views on who or what is to blame for the dependency of these unfortunate children. Some blame the parents, others the malfunctioning of the social, economic and education systems, racial discrimination, as well as government policies at all levels. The fact remains that some seven and one-half million children are now welfare recipients, living below the poverty level, inadequately fed, housed and clothed.

Many other children also live in poverty, because their families are not eligible for aid. But one thing is certain, none of these children are to blame for their condition.

A true welfare "reform" would change the system to insure that children did not continue to suffer as a result of societal or parental failure.

We were encouraged by the President's 1969 Message on Welfare Reform which included proposals for a national minimum income for families in need (including those with both parents in the home), equality of treatment for families with children across the nation, simplification of the present welfare sytem, and, for the first time at the federal level, the inclusion of the "working poor" among those eligible to receive assistance. The President's Message also implied that no family's assistance grant would be lowered because of the new plan. The League supported those goals and principles.

Unfortunately, however, we believe Title IV of H.R. 1 is so inadequate and inequitable that it will prove harmful to the majority of the needy children and families covered under its provisions. It is a retrogressive rather than a reforming measure in terms of what it does to needy families and children. It may protect state welfare budgets but it does not protect the children in need, which should be the basic goal of a welfare reform.

COMMENTS ON TITLE IV, H.R. 1

Title IV of H.R. 1 would replace the AFDC payments program, under present Title IV–A of the Social Security Act, with a new Title XXI. It would establish two programs, Opportunities for Families Program (OFF) for families with an "employable" member, administered by the Department of Labor, and Family Assistance Plan (FAP) for families without an "employable" member, to be administered by the Department of Health, Education and Welfare. Both OFF and FAP would establish a minimum federal payment to eligible families of $800 per year for each of the first two persons in the family, $400 for each of next three members, $300 for next two, and $200 for the next person. This would amount to $2400 for a family of four. There would be an absolute maximum of $3600 for any family with eight or more members. Beneficiaries of these programs would be ineligible for food stamps.

It is estimated that these programs would affect one out of every eight families in America. Therefore, it is particularly important to note whether they are equitable programs or whether they unfairly discriminate against this large number of families and children.

The original and underlying purpose of welfare assistance for children was that no child should suffer when circumstances leave him with no means of subsistence. This purpose is undercut when mandatory employment becomes the major purpose of an assistance program for families with children, because children's needs are then ignored. (A comparison of the purpose clause for AFDC in Section 401 of the Social Security Act with the purpose clause in Section 401 of Title IV of H.R. 1 illustrates a change of intent harmful to children.)

The administrative process in H.R. 1 is antagonistic to the concept of individual rights and entitlements and unresponsive to the basic needs of children and families. There are even fewer protections in this bill than in the former versions of FAP in the last Congress.

The following discussion indicates some of the defects and inequities found in Title IV which are disadvantageous to children:

There would be a probable loss of benefits to 90% of the current welfare recipients because of the low Federal payment levels and lack of mandatory state supplementation to meet current levels of payment (including food stamps) in the 45 states which presently pay more than the Federal minimum payment level of $2,400 for a family of four. Nor is there any provision for federal matching funds to encourage states to supplement on a voluntary basis.

It might be noted here that the $2,400 payment level for a family of *four*, equals the payment of $2,400 to an adult *couple* under Title III of H.R. 1, which provides assistance for the needy aged, blind and disabled. The lower payment level for the family programs illustrates the discrimination against children and families. In addition, each *family* is permitted only $1,500 of resources under Title IV, whereas each *individual* is permitted $1,500 of resources under Title III.

The $3,600 maximum payment for families with eight or more members also represents a cutback, since only six states now limit the maximum family grant.

The administration of dual programs by two Departments with eligibility based on "employability" presents a more complex structure bound to create more "red tape" difficulities for families, as well as higher administrative costs. Changes within the family would result in changed eligibility for OFF and FAP. Child birth, the rise in age of children, family separation, or illness would all be factors in switching back and forth from one program to another.

Under H.R. 1 mothers of children over three are required to register for work or training (unless a male member of the family is registered and accepts work or training). A single mother would therefore be eligible for FAP until all her children were over three; she would then be switched to OFF. An OFF mother would be switched to FAP upon the birth of another child. If parents separated the mother and children might be switched from OFF to FAP depending upon the age of the children. If the only employable person in the family became disabled, the family would be switched to FAP.

Constant shifting and redeterminations of eligibility and benefit levels result in unnecessary and excessive administrative expense. The inevitable result would be confusion for recipients, and delayed or lost payments, to the detriment of the children and family involved.

OFF would give the Department of Labor primary responsibility for an estimated 2.6 million families with 13.5 million persons. The Secretary would also be responsible for providing supportive social services for some 3 million "employables." We believe this is an inappropriate function for the Department of Labor and not in the best interest of children. The Labor Department is not skilled in delivery of social services or child care.[1] Moreover, duplicating systems of social services are uneconomical as well as undesirable. Social service programs should remain a primary responsibility of the Department of Health, Education, and Welfare.

In order to be eligible to receive benefits under Title IV programs, a person who is found to be employable, must not only have insufficient income, but must also register and accept work or training. Failure to do so will result in an $800 loss of benefits. (Under present law the penalties for failure to accept work or training vary from state to state, and usually equal that portion of a family's grant budgeted for the needs of the person refusing employment.) Under H.R. 1, $800 would be automatically cut off the family's grant for the first member of the family who refused. This would leave a family of four with $1600—a cut of one-third. This is a disproportionate amount of the grant and penalizes the children in the family since all four persons would have to survive on that amount.

Another penalty for refusal to register and accept work and training under H.R. 1 is the prohibition against paying any part of the family benefit to the member of the family who so refuses. Therefore, payments must be made to another responsible family member (if there is one) or to a third party. If a family consisted of a mother with three children, and the mother refused work because she wished to care for the children, not only would her grant of $800 be eliminated, but the children's share of assistance could not be paid to her. Payment would then have to be made to a third party without regard to the mother's ability to manage funds or care for her children. This is a punitive measure, particularly for mothers who wish to care for their children, and is a derogation of parental rights without a judicial determination of neglect or inability to manage money.

If a family member is deemed unemployable because of incapacity, he is required to accept referral to vocational rehabilitation services. Quarterly review of all such cases, except those of permanent incapacity, is required. This will mean higher administrative costs. Failure to accept vocational rehabilitation is penalized in the same way as failure to accept work or training, with the same disadvantage to children in the family.

Persons deemed unemployable because of drug or alcohol abuse are eligible for benefits only so long as they undergo approved treatment for their addiction. If they fail to accept or to continue in treatment their benefit is eliminated from the family's grant, to the disadvantage of other family members. Many treatment programs for addicts and alcoholics are unable to hold patients in treatment because not enough is yet known about how to conduct such therapy successfully. To terminate family benefits on this account is a cruel deprivation to children in the family, and likely to increase illegal activities on the part of addicts as well.

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[1] See Appendix, p. 2047.

Other reasons for termination of benefits is the lack of cooperation on the part of a deserted mother to identify, and file a court order against, the deserting parent, even in cases where the mother may have good reason not to wish reinvolvement of the father and knows that support cannot be obtained from him. Again—a severe deprivation for the children.

Even more dangerous is termination of the *entire* family benefit if any member of the family should fail to apply for and obtain any other benefits due them under other programs within 30 days after notice from the Department of Health, Education and Welfare. This is a severe penalty for a relatively minor administrative problem.

Eligibility for assistance is determined quarterly and eligibility is not based on current need. Income for the past three quarters is taken into account. A destitute family might have to wait as long as 90 days to become eligible if past income had been higher than the minimum benefit. This policy might mean permanent ineligibility for seasonal or migrant workers. In addition only $100 of emergency assistance per family could be provided in such circumstances. The disastrous results are obvious. Current law bases eligibility on current need regardless of past income.

Under all but one state law, stepparents are not legally responsible for the support of stepchildren. Under H.R. 1 however, the income of a stepparent is assumed to be income to the family regardless of whether or not it is actually available. Stepparents may in fact be supporting their own children. This provision, illegal under state law, means that stepchildren will be deprived of aid, and it is a disincentive to marriage and family stability.

Since the H.R. 1 definition of family and child makes a child ineligible until it is born,[1] no prenatal assistance is available on behalf of that child or mother. Since lack of proper prenatal care may result in the birth of a defective or retarded child this, too, is a shortsighted policy, costly to the nation, and another deprivation for poor children. Presently, AFDC law permits assistance for pregnant women.

Applications for assistance must be made "de novo" every 24 months and it is the responsibility of the recipients to apply in time. If they fail to do so, benefits are automatically cancelled.

Quarterly information reports are required from recipients, and benefits are suspended if the reports are not filed on time. In addition, fines are imposed for delays or failures to report. Since fraud provisions cover all recipients, and information about change of status is required whenever it occurs, such reports seem unnecessary and create burdensome tasks both for recipients and administrators. (The Internal Revenue Service requires less reporting for tax purposes, although the percent of estimated tax fraud is far higher than welfare fraud.)

Another provision designed to prevent fraud and abuse, according to Secretary Richardson's testimony before the Senate Finance Committee on July 27, 1971, is the ceiling on disregarded earnings. Although student earnings, irregular income and costs of child care are to be disregarded when computing benefits, a ceiling of $2000 for a family of four is imposed for the total of these three items. A mother with two or more children needing child care might easily need to spend more than $2000 in child care payments, but she will lose money if she spends over this amount. This ceiling will therefore encourage her to place her children in cheaper, poorer child care, and is damaging to children.

The theory seems to be that all must suffer in order to prevent fraud and abuse by a small percentage of recipients. Is it really necessary to harass all welfare recipients in order to prevent fraud by a few? The implication of these provisions seems to be that welfare recipients are guilty until proved innocent.

The provisions dealing with deserting fathers are a federal usurpation of present state responsibility with respect to child support—but only in so far as assistance families are concerned. This creates discriminatory double standards based on the economic status of the family. Under Section 2175 a deserting parent, whose family required public assistance, would be obligated to the federal government for all OFF and FAP payments made to his family (excluding any support payments he provided) but not exceeding the amount ordered by a court if there had been judicial action.

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[1] It is strange to note, however, that the only work priority in H.R. 1 is given to pregnant women and mothers under 19, despite the fact that they need not register for work or training from the time the child is born until he reaches his third birthday.

This obligation to the government would be collectible from amounts due the parent from any Federal agency or program, including OASDI. Apparently putative parents for whom there was no court order of support outstanding would be liable for the entire sum without any judicial determination as to their liability or legal responsibilty to support. However, if a parent deserted but the family did not require public assistance, he would only be liable to his family for an amount ordered by a court.

Section 2176 makes it a federal crime for a deserting parent of children receiving assstance to move in interstate commerce to avoid responsibility for support. This misdemeanor is punishable by a fine of $1000 and/or a year's imprisonment. Parents whose children are not receiving assistance, however, are not guilty of a federal crime if they act in the same manner.

The provisions with regard to hearings and judicial review limit the rights of recipients with respect to hearings challenging administrative decisions. Judicial review as to the facts is not permitted. This denies a basic safeguard against unreasonable or unfair administrative action.

Limitations may be placed on the representation of claimants by persons other than attorneys. Present regulations permit representation by legal counsel, relative, friend or other spokesman, as well as permitting assistance in the application and redetermination process by individuals of the recipient's choice. We believe there is no reason to change these free choice regulations. A recipient's right to administrative hearings may be unduly restricted because there would be liability for repayment of grants paid during the hearing process if the decision is adverse to the recipient.

CHILD CARE

Of major concern to the Child Welfare League of America are the child care provisions of H.R. 1. The League submitted a *Statement on Child Care* to the Committee on Finance for the record of the Child Care Hearings held September 22–25, 1971. Pertinent parts of that Statement, updated in the light of developments since that date, are attached as an *Appendix* to this Statement on H.R. 1. We wish to emphasize that the League's child care principles[1] are the basis for discussion of child care services, whether pertaining to H.R. 1 or any other legislation.

We believe that the child care provided by H.R. 1 fails to meet these principles and will be harmful to children. Statements of the Administration during Hearings on S. 1512, and the Committee's Hearings on Child Care confirm our beliefs that the primary thrust of the child care in H.R. 1 is not to serve children.

Clear evidence that the Administration views the child care provisions of H.R. 1 as a means to move mothers off the relief rolls rather than as a service to protect and help children can be found in the current cost projections for day care that were furnished to the Congress by the Departmentof Health, Education and Welfare.[1a] [2] These cost figures indicate either an almost total lack of concern for children, or the Department of Health, Education and Welfare is deceiving the Congress as to the costs of care.

In 1967, HEW provided Cogress with cost figures for "foster day care" (more usually termed "family day care"). This type of child care is defined by HEW as "the care of a child in the home of someone other than his own." Family day care, rather than care provided in day care centers, is the care most likely to be used for a majority of children in H.R. 1 programs. In 1967, HEW estimated that the overall per child cost was $2372 for "desirable", $2032 for "acceptable", and $1423 for "minimum", foster day care.[3]

But in 1971, HEW furnished new estimates for the FAP Day Care Program. They dropped the designations of "desirable", "acceptable", and "minimum", and substituted "developmental care" and "custodial care." Family day care is now estimated to cost $781.92 at the "custodial" level and $866.40 at the "developmental level."[4] "Developmental care" is intended to include comprehensive nutritional, health, and educational components.

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[1] See Appendix, p. 2047.

[1a] U.S. Senate, Subcommittee on Employment, Manpower, and Poverty and Subcommittee on Children and Youth of the Committee on Labor and Public Welfare, *Joint Hearings on S. 1512*, June 16, 1971, pp. 780–788.

[2] U.S. Senate, Committee on Finance, *Child Care Hearings*, September 22, 1971, p. 229.

[3] *Joint Hearings on S. 1512*, p. 786.

[4] *Ibid*, p. 791, and *Child Care Hearings*, p. 229.

Based upon the 1971 cost projections of HEW for FAP day care, children receiving this "developmental care" would receive the lowest form of "warehousing" care. The child caring person would be paid either $1.17 or $1.40 an hour depending upon whether she cared for five or six children. She would work a 10-hour day with no other helping adult. $10 a year per child would be spent to train her. $20 a year would be spent on each child for medical and dental examinations and referral. Forty cents per child per day would be allowed for food and kitchen supplies. It is assumed that this will provide two meals and snacks for each child.

If $2372 per year was necessary for "desirable care" in 1967, by what miracle, after four years of inflation, can "developmental care" be provided by approximately one-third the cost?

It appears that H.R. 1 child care may be permitted to meet different, lower standards than other child care programs would be required to meet. In the House debate on the child development legislation in S. 2007, it was alleged that the standard of child care in H.R. 1 need not be comparable to that proposed under the Child Development Act. Given the proposed estimates for child care funding under H.R. 1, it can only be custodial low quality care. That is harmful to children.

The Child Welfare League believes that all children deserve similar child care programs of good quality, and no child should receive second-rate, inadequate services because his faimly falls in the category of "unemployed poor" or "working poor."

The Child Welfare League of America believes that the floor for child care programs should be the Federal Interagency Day Care Requirements of 1968. Although these requirements have not been evenly enforced at the Federal, State and local level, theoretically, all Federally funded child care programs must meet them. In the House debate, however. it was implied that H.R. 1 child care would be exempt from these quality standards. This would establish a double standard for child care that would penalize children in H.R. 1 programs.

The quality of child care required is not the additional 150,000 preschool "slots" and the additional 300,000 school age "slots" contemplated by the Administration. The Administration testified in the Child Care Hearings that, in female-headed families alone, 2.6 million children would need child care under the OFF program of H.R. 1.[1]

Against this need, the Department of Health, Education and Welfare estimated that there were presently 638,000 licensed spaces in centers and family day care homes.[2] At the least, this would indicate a need for many more additional "slots" for female-headed families alone, rather than the 450,000 contemplated under H.R. 1.

The child care provisions of H.R. 1 are not acceptable to the League for the reasons cited here and in our previous testimony contained in the *Appendix* to this Statement. The League believes that the child care provisions of H.R. 1 will be harmful to children and therefore opposes them.

Unfortunately, Title IV of H.R. 1 creates a welfare system that would make conditions even worse than they presently are for needy children and their families, despite the inclusion of the working poor and rhetoric about federal minimum income to meet the basic needs of families and children.

Since the Child Welfare League of American was established to aid children we must oppose legislation which is contrary to their best interest. We believe children deserve the protection of the state, which traditionally has served as "parens patriae." But H.R. 1 is not designed to protect children or provide welfare assistance for children in need unless their parents fulfill certain conditions. Under Title IV provisions, children are used as instruments to control the behavior of their parents. H.R. 1 distorts both the traditional purposes of welfare and the concept of the state as "parens patriae" for children.

PROPOSALS TO IMPROVE TITLE IV

Because of the numerous deficiencies noted in Title IV, alternative bills and amendments have been introduced to improve Title IV as well as other Titles in H.R. 1. These include Senator Harris' bill, S. 2747, "Family Income and Work In-

[1] *Child Care Hearings*, p. 151.
[2] Department of HEW, SRS, NCSS Report CW-1(69), *Child Welfare Statistics, 1969*, table 18, p. 28.

centive Act of 1971," Senator McGovern's bill, S. 2372, "Adequate Income Act of 1971," and Amendment 599 to H.R. 1, introduced by Senator Ribicoff.

Many Senators and Governors, believing Title IV as passed by the House to be inadequate and inequitable, have co-sponsored or supported the Ribicoff Amendment. A number of organizations opposed to the punitive and discriminatory aspects of Title IV are also supporting this Amendment. The substance of the Ribicoff Amendment when compared to the present H.R. 1 provision points out many of these defects.

DESCRIPTION OF PROVISIONS IN RIBICOFF AMENDMENT AND COMPARISON WITH H.R. 1

Ribicoff Amendment	*H.R. 1*
1. PAYMENT LEVELS	
(a) No beneficiary would receive less than amount now received.	(a) No such protection—90% of present recipients may receive less.
(b) Initial federal payment level of $3000 for a family of four. No maximum payment for large families.	(b) Federal payment frozen at level of $2400 for four; $3600 maximum for family of 8 and over.
(c) Payment levels increased each year until by 1976 no recipient would receive less than the poverty level adjusted annually for rises in the cost of living.	(c) No increase in federal payment levels; no adjustment for changes in cost of living.
2. STATE SUPPLEMENTATION	
(a) States whose welfare payment plus food stamp benefits now exceed the levels set by this bill would be required to make supplemental payments. The federal government would pay 30% of these supplemental payments.	(a) No requirement that states maintain current past payment levels or add value of food stamps. Supplementation would be optional, with no federal matching funds.
3. STATE FISCAL RELIEF	
(a) Over the next five years no state would have to pay more than 90%, 75%, 50%, 25%, and 0% of its calendar 1971 public assistance cost. Thus by 1976, the welfare program would be fully federalized.	(a) States protected only against increased cost over calendar 1971 expenditures.
4. WORK INCENTIVES, WORK REQUIREMENTS AND PENALTY	
(a) The working poor would be allowed to retain $720 plus 40% of any additional income without loss of benefits.	(a) The working poor would be allowed to retain $720 plus one-third of any additional incomes without loss of benefits.
(b) $1.2 billion authorized for provision of at least 300,000 public service jobs.	(b) $800 million authorized for provision of 200,000 public service jobs.
(c) All job referrals would have to be at the prevailing wage rate but in no case less than the federal minimum wage.	(c) Referrals to jobs in private sector could be at wages as low as three-quarters of the federal minimum wage ($1.20/hour) Public service jobs would pay federal minimum $1.60.
(d) Mothers with children under age 6 would be exempt from work requirements and no recipient would be required to undergo work training unless suitable child care and a job following that training were available.	(d) Mothers with children over 3 would be required to register for work. No guarantee of suitable child care prior to work or training.
(e) Penalty for refusal to accept training or work, $1,000 for each of first two members, $500 for each of next three and $400 for each additional.	(e) Penalty—$800 for each of first two, $400 for each of next three, $300 for next two, $200 for each additional.

5. CHILD CARE

(a) $1.5 billion would be made available for child care services; $100 million for construction, $25 million for personnel training.	(a) $700 million for child care, $50 million for construction.
(b) Requires day care standards to conform with Federal Interagency Requirements of 1968.	(b) No criteria for day care standards to be established by Secretaries of HEW and Labor.

6. ELIGIBILITY AND ADMINISTRATION

(a) Eligibility would include single individuals and childless couples.	(a) No coverage for single individuals or childless couples.
(b) Eligibility based on current need.	(b) Eligibility based on earnings in prior quarters which may result in delays of benefits and denial of benefits to migrant and other seasonal workers.
(c) No need to reapply "de novo" after two years.	(c) Recipients must reapply "de novo" after two years or lose all benefits.
(d) Procedural changes to assure due process, including right to counsel, notice, hearings, written decisions, equitable income reporting.	(d) Claimant's rights not adequately specified.
(e) Elimination of residency requirements.	(e) States allowed to retain state residency requirements.
(f) Equitable provisions for U.S. territorial possessions.	(f) No such provisions for U.S. territories.
(g) Protection of employee rights.	(g) No protection of employee rights.

7. ESTIMATED NUMBERS OF ELIGIBLE PERSONS

(a) 30 million	(a) 19.3 million

8. ESTIMATED COSTS

(a) $22.41 billion	(a) $15.9 billion

9. SOCIAL SERVICES—(TITLE V, PART B)

(a) The provisions of existing law regarding social services open and authorization would be restored, eliminating H.R. 1's ceiling on these services.	(a) Closed end-ceiling on social services authorizations, except for child care and family planning.
(b) The Department of Labor would be required to utilize HEW supported programs in providing necessary services.	(b) Possibility of Department of Labor programs parallel to HEW services.

As the above comparison demonstrates, the Ribicoff Amendment would make many necessary improvements in Title IV. However, it does not eliminate other objectionable sections of H.R. 1 dealing with methods of determining eligibility; work requirements for mothers of children over 6; high penalties for refusal to register, or accept work, or training, or vocational rehabilitation services; penalties for drug addicts and alcoholics when treatment fails; high penalty for failure to apply for other benefits; $100 limit on emergency assistance; lack of aid for pregnant mother and unborn child; liens on federal assets for putative fathers' failure to support; federal criminal sanctions against deserting fathers; and the administrative problems caused by categorization of recipients by employability status, into two programs administered by two Departments, Labor (OFF) and HEW (FAP).

We are sympathetic with those who wish to change and improve Title IV, but regardless of its merits, we do not agree that passage of the Ribicoff Amend-

ment on the Senate floor would guarantee that an improved and acceptable Title IV would emerge from Conference. It is much more likely that only Title IV in its present form could survive. And this is exactly what supporters of the Ribicoff Amendment agree is unsound legislation. It would therefore be preferable to eliminate Title IV from the Senate bill entirely, and take H.R. 1 to Conference without Title IV.

ELIMINATION OF TITLE IV FROM H.R. 1 AND RECOMMENDED ALTERNATIVES

Title IV does not, in fact, fulfill the desired purposes of the Administration's original proposal for a national income policy to provide at least the minimum essentials for life for all needy families with children, equality of treatment for those families throughout the nation, and a simplification of the present welfare system. Nor does Title IV meet the principles and standards of the Child Welfare League of America for a sound national income policy to assure that families and children have at least a minimum standard of living sufficient to maintain health and human decency, and designed to encourage family stability, protect the welfare of children and respect the dignity and freedom of persons to manage their own lives.

Instead, Title IV is so inadequate and inequitable that we believe it would prove even more detrimental to needy children and families than the present welfare system. Title IV does not protect the families and children in need, which should be the basic goal of any welfare reform.

The Board of Directors of the Child Welfare League of America, therefore, opposes Title IV of H.R. 1 and recommends that it be eliminated from the bill.

The Board, however, is also concerned about the fiscal problems of the States with respect to welfare costs. As an alternative to Title IV, we therefore support proposals to ameliorate these pressing fiscal needs, and recommend passage of legislation that will provide additional federal aid to states to meet rising welfare costs. Increasing need may be anticipated particularly during periods of inflation and unemployment.

We believe States should be helped at this time to maintain at least the 1971 level of grants and eligibility standards in order to protect needy families and children. We therefore recommend that additional federal aid be given to the States to cover any rise in welfare over the States' 1971 costs, provided that the States maintain their 1971 level of payments and eligibility.

Senators Percy, Ribicoff and Nelson have proposed legislation of this nature in the Senate, and Representatives Mills and Collins have also introduced a similar proposal in the House.

In addition, P. L. 92–223, amending work requirements in the present AFDC law, was passed just before Congress adjourned for the recess. It becomes effective in July 1972. Although this bill has some defects which should be corrected before July, it does provide increased financing for supportive services, including child care, for the WIN program, to be administered by State welfare agencies. The bill also provides priorities for the work and training programs, giving first priorities to unemployed fathers and mothers who volunteer, and it exempts mothers of preschool children from work or training requirements.

Until such time as a more adequate and equitable welfare reform bill can be achieved, we believe that the combination of P. L. 92–223 and some measure of fiscal relief for the States would be a more satisfactory solution to the present welfare problems than the passage of Title IV of H.R. 1.

We therefore hope that the Senate will eliminate Title IV and provide additional fiscal relief to the States for welfare purposes.

In the meantime, we also believe there should be further study to develop a welfare reform plan which will truly safeguard children. There seems to be confusion both in Congress and in the nation as to proper policies with respect to children. On the one hand, both Houses of Congress passed the child development bill contained in S. 2007, which was subsequently vetoed by the President. This was a bill designed primarily to help children. On the other hand, the House passed Title IV of H.R. 1 (albeit under a closed rule) containing day care plans and other measures which disregard children's needs. These bills have different philosophical bases and illustrate the kind of conflicting opinions that need to be resolved before sound welfare reform for children and families can be achieved.

COMMENTS ON H.R. 1, TITLE V, PART B—NEW SOCIAL SERVICES PROVISIONS

Title V, Part B, amends the Social Security Act with regard to services for needy families with children and the needy aged, blind or disabled. It also adds new sections on foster care and adoption services to the child welfare provisions of Title IV–B of the Social Security Act.

Section 511(a) defines services for those families with children who would receive assistance under the Title IV provisions of H.R. 1. It amends present Section 406(d) of the Social Security Act. The *present* law defines family services broadly as:

"Services to a family or any member thereof for the purpose of preserving, rehabilitating, reuniting, or strengthening the family, and such other services as will assist members of a family to attain or retain capability for the maximum self-support and personal independence."

The *new* language defining services for Title IV families and children is now limited to a list of the following twelve specific services: family planning, child care[1] services to unmarried girls who are pregnant or already have children, protective services, homemaker services, nutrition services, housing services, educational services, training and employment services, emergency services, information and referral services, and services to meet problems of drug or alcohol abuse.

Section 511(b) defines the services that would be authorized for the aged, blind, or disabled category in Title III of H.R. 1, by providing a list of eight specific services as follows: protective services, homemaker services, nutrition services, housing services, emergency services, supportive services (including child care) to facilitate training or work, services to meet problems of drug or alcohol abuse, and information and referral services.

The League suggests retaining the present language of Section 406(d) of the Social Security Act with respect to services. Alternatively, general language could be added so that other services could also be made available. Children as well as the aged, blind and disabled may need services other than those specifically listed.

Section 512 authorizes an appropriation of $800 million for FY 1973 for training of personnel and the specified services for persons receiving assistance under Title III and Title IV of H.R. 1. This changes the present open-end financing of services for assistance-connected recipients to a closed-end appropriation, except for family planning and child care services, which will continue to be open-ended.

The allotment formula for the appropriation is based on the States' Federal share of expenditures for services and training for the preceding fiscal year and in no case shall this amount exceed the Federal share for such expenditures in the preceding fiscal year. This limits growth in the development of services for needy persons and is particularly dangerous to States that have not yet fully established their services programs. Moreover, in times of economic stress when assistance caseloads rise, there will be no additional money available despite the greater number of persons eligible for services. We believe that funding for all services for needy persons should be based on open-ended appropriations. Child protective services, in particular, must be universally available and should be financed on an open-end basis.

The bill does not mandate that any services must be offered in the States. Nor is there any provision for a "maintenance of state effort" for social service expenditures. The necessity for "statewideness" of services is also eliminated. As a result, we believe that these service provisions of Title V are inadequate for needy families with children.

Limitations on "statewideness" should be made only for specific and time-limited programs such as experiments or demonstration projects. Otherwise, the limitations on "statewideness" could result in the discriminatory use of social services.

We believe that services need to be universally available for children and most certainly must be assured for low income families covered by Title IV. We therefore believe they should be comprehensive in nature, mandated, available statewide, and funded on an open-end basis with a required "maintenance of state effort." Even now, no State is adequately funded to provide the necessary services for families and children. In addition, better quality as well as greater

[1] In the context of this bill "child care" means day care services.

quantity of services is needed in most States. To substitute the provisions of Title V for the language now in the Social Security Act will result in less, rather than more, services if Federal funds are merely substituted for State funds.

We believe that social services provided for recipients under Title IV should be a responsibility of the Department of Health, Education and Welfare. They should not be limited to supportive services for manpower programs and social services should not be administered by the Department of Labor.

FOSTER CARE AND ADOPTION

Section 513 deals with foster care and adoption services to be provided under Title IV–B of the Social Security Act. It provides authorization for special funds for foster care and adoption services in the States, in addition to the funds already authorized for child welfare services under Section 420 of the Social Security Act. $150 million would be authorized for the first year, increasing annually to $220 million for the fifth and succeeding years. There would be Federal matching of 75% up to the amount of the State's allotment.

Foster care services are broadly defined to include:

(*a*) payments for foster care (including medical care not available under the State's plan approved under Title XIX or under any other health program within the State) of a child for whom a public agency has responsibility, made to any agency, institution, or person providing such care, but only if such foster care meets standards prescribed by the Secretary, and,

(*b*) services and administrative activities related to the foster care of children, such as finding, evaluating and licensing foster homes and institutions, and providing services to enable a child to remain in or return to his own home;

Adoption services are defined as:

(*a*) services and administrative activities related to adoption, including activities related to judicial proceedings, determinations of the amounts of the payments described in subparagraph (*b*), location of homes, and all activities related to placement, adoption and post-adoption services, with respect to any child, and

(b) payments (subject to such limitations as the Secretary may by regulation prescribe) to a person or persons adopting a child who is physically or mentally handicapped and who, for that reason, may be difficult to place for adoption, based on the financial ability of such person or persons to meet the medical and other remedial needs of such child.

NEED FOR FEDERAL FUNDS FOR FOSTER CARE AND ADOPTION SERVICES

The pressing need for additional federal funding of foster care services has been emphasized by the States and counties, as well as by the League, for many years. Foster care has never been adequately financed and federal expenditures for this purpose have been well under 10% of total expenditures made by States and localities.

In 1967, Chairman Long and other Senators introduced foster care bills as amendments to the "Social Security Amendments of 1967" which would have helped relieve the tremendous burden of the States and counties. The Senate passed such an amendment to provide federal sharing of foster care costs, but unfortunately, this provision was lost in Conference.

We are pleased that the Administration and the House have now joined the Senate in acknowledging the acute need for federal funding in this area and have provided for an additional authorization for foster care and adoption services in the States.

MAINTENANCE OF STATE EFFORT FOR CHILD WELFARE SERVICES

If the proposed additional federal funding of $150 to $220 million for foster care and adoption services is to help extend and improve foster care and adoption in the States however, there must also be a requirement that the States maintain their previous fiscal efforts in this program area. It is essential that States add the new Federal funds to their present expenditures in order to improve both the quality and quantity of foster care and adoption services. A mere substitution of Federal funds for State funds will not help the children who are presently without adequate care.

SUBSIDIZED ADOPTIONS

Section 513 adds a new Section 427 to Title IV–B of the Social Security Act. Section 427(a)(2)(B) would authorize payments to adoptive parents to meet the costs of medical and remedial care for physically and mentally handicapped children, if the parents are financially unable to do so. This is a limited subsidy for the adoption of such children who would otherwise be "hard-to-place."

Physically and mentally handicapped children, however, represent a small portion of the so-called "hard-to-place" children. Funds for subsidized adoptions are primarily needed in order to make adoption possible for minority group children.

Subsidy makes adoption possible for children who otherwise would remain in tax-supported foster care until they reach adulthood. Many prospective adoptive parents who could provide good permanent homes for these children cannot afford to do so unless some financial aid is available for child support. These children, therefore, lack the security of a permanent family and must remain in foster care during their entire childhood. Moreover, subsidized adoption would benefit the taxpayers as well as the children since the costs of subsidizing an adoptive child are much less than maintaining the child in foster care. States could save the administrative costs of foster care as well as some of the cost of foster payments. Temporary subsidies of up to $1200 per year would permit adoption of thousands of children now in foster care at many times the cost.

We would recommend that Section 427(a)(2)(B) be expanded to include federal financial help for general State programs of subsidized adoptions. Fourteen States (California, Delaware, Illinois, Iowa, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Oregon, South Dakota, Texas and Washington) presently operate subsidy programs for adoptions.

NATIONAL ADOPTION INFORMATION EXCHANGE SYSTEM

Senator Griffin's Amendment No. 411 to H.R. 1 authorizes $1 million for a Federal program to help find adoptive homes for hard-to-place children. The amendment authorizes the Secretary of HEW to "provide information, utilizing computers and modern data processing methods, through a national adoption information exchange system, to assist in the placement of children awaiting adoption and in the location of children for persons who wish to adopt children, including cooperative efforts with any similar programs operated by or within foreign countries, and such other related activities as would further or facilitate adoption."

This program is patterned after the Adoption Resource Exchange of North America (ARENA), which was established by the Child Welfare League of America in 1967. Its purpose is to bring together for adoption those children for whom public and private adoption agencies in the United States and Canada can find no adoptive families, and families for whom agencies have no children. A particular objective of ARENA has been to find more homes for children of minority groups, children of mixed racial background, and children with physical or psychological handicaps. Agencies register children who are waiting to be adopted, and families who are waiting to receive a child. Thus ARENA makes the adoption agencies of North America a part of a large network of adoption resources. This effort helps to overcome uneven availability of homeless children and suitable adoptive families.

The Griffin amendment would make such a program even more effective by providing for the utilization of computers and modern data processing methods. Such a computerized system would encourage and make possible many more registrations of children and families than is presently humanly possible. Moreover, the computer process is cheaper than any other method and would greatly cut the cost per placement. The estimated average expenditure for each ARENA adoption placement in 1971, without computerized data processing methods, was $235.

Not only would this new system make possible the placement of many more children who would otherwise remain without adoptive homes, but it would also be a saving to taxpayers since adoption of children would remove them permanently from the need for foster care. The estimated average annual per capita cost is $2900 for foster care. Thus, each infant placed for adoption could save society between forty and fifty thousand dollars of foster care costs during its childhood years.

We urge support for this Amendment, which would establish a Federal system to provide modern methods for a national adoption information exchange to assist and facilitate the placement of children for adoption.

In conclusion, we wish to thank the Chairman and the Committee for their courtesy in permitting the Child Welfare League of America to present its views on these matters of such vital concern to children and their families.

APPENDIX TO STATEMENT ON H.R. 1

PERTINENT EXCERPTS RE H.R. 1 CHILD CARE FROM STATEMENT ON CHILD CARE PREPARED FOR SENATE FINANCE COMMITTEE HEARING, SEPTEMBER 22–24, 1971

The Senate Finance Committee has asked for comments on the legislation pertaining to child care now pending before the Committee. The Child Welfare League of America is therefore offering its views on child care since this is one of the League's particular concerns.

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The *Child Welfare League of America Standards for Day Care Service*, originally published in 1960, was revised in 1969. These Standards, prepared by a national committee of experts, are approved by the Board of Directors of the League. Both nationally and internationally the *CWLA Standards* are extensively used and widely recognized as representing day care practices considered to be most desirable. They offer a base for evaluating the performance of child care agencies and adequacy of existing or proposed childcare programs.

The following comments and recommendations are based on League Standards and other policies previously approved by the Board of Directors of the League.

CHILD CARE PRINCIPLES

There are certain basic principles which should be incorporated in any child care legislation no matter what its primary purpose may be—whether to improve opportunities for disadvantaged children, to serve as an adjunct to work and training programs for public assistance recipients, to help provide safe care for children whose parents are unable to do so, or to provide developmental services for children whose parents need or want them.

These principles include the following:

1. The well being of the child should be the prime consideration in child care programs.
2. Child care programs should be available to all families and children who require them:
   (*a*) Child care should be available to all children in need of such care regardless of the socio-economic circumstance or employment status of the family. (Initially, there should be priorities in providing service for the economically disadvantaged.)
   (*b*) Cost for care to a family should range from free to full payment, depending upon the family's financial resources.
   (*c*) Programs should provide for continuity of care for children irrespective of changes in economic or employment status of parents.
   (*d*) Programs should be available to children on a part-time or full-time basis according to the needs of the child and his family.
   (*e*) The same programs should be available to all socio-economic groups. Children should not be separated into different programs on the basis of the socio-economic or employment status of the family. The establishment of a two-class child care system should be avoided.
3. Child care programs should be of a comprehensive nature—that is, in addition to providing care and protection, they should make available a variety of services, such as nutritional, health, psychological, social work and educational services, etc. Programs should not be limited solely to physical safekeeping or so-called "custodial care."
4. Standards to insure a sound quality of child care should be established with particular reference to the ratio of staff to children, and to the quality and training of staff. There should be provision and adequate funding for enforcement of standards. Government funds should not be permitted to finance child care which does not meet proper standards.

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5. There should be provision for parental involvement in all child care programs.
6. There should be flexibility of administration to permit adaptation of programs to meet local needs.
7. Funding should be adequate to support the needed quality and quantity of child care.

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COMMENTS ON THE CHILD CARE PROVISIONS OF H.R. 1

The League agrees with the Senate Finance Committee and the Administration that there is an urgent need to expand child care programs throughout the country. In all socio-economic groups there is an acute shortage of such facilities for children whose parents work or are otherwise unable to provide full-time care for their children. We believe, however, that the child care provisions contained in Title IV of H.R. 1 would prove detrimental to the welfare of the children placed in these programs.

Child care under H.R. 1 is limited to children of mothers under Title IV who volunteer, or are required to register for work or training programs, or who are receiving vocational rehabilitation services. The Department of Labor would be reponsible for the child care programs provided for mothers under the work and training provisions; the Department of Health, Education, and Welfare would administer a separate and small child care program for mothers receiving vocational rehabilitation services. HEW would also be responsible for the creation of new or improved child care facilities and for the remodeling or construction of child care facilities.

Under Title IV programs, all mothers of children over three (as of 1974) would be required to register for manpower services, training and employment with the Secretary of Labor, unless there was a registered adult male member of the family in the home. This provision would cover an estimated potential group of about five million children in 1974—and yet less than 900 thousand child care places are planned for the budget of FY 1972.

We believe that *requiring* work and training programs for mothers of pre-school children is harmful both to the children and to the family. In addition, we question the feasibility of such a program, given the present state of the economy, the lack of sufficient jobs for a work force of men and women who do not require child care in order to take employment, and the high cost of child care relative to the possible earnings of these mothers.

Moreover, past experience demonstrates that many more mothers have volunteered for work and training programs than could be trained and employed. Compulsory registration is therefore not only undesirable, but unnecessary. Secretary Richardson has testified that the Administration itself does not support compulsory work or training for mothers of pre-school age children.

But whenever mothers do work, provision must be made for child care which will supplement parental care and which will not prove detrimental to the child's well-being and development. Even if a welfare mother's employment could remove her from the welfare rolls it would be society's loss not its gain if, in the process, her children were endangered or their development impaired.

The League believes that comprehensive child care which provides a variety of services is an absolute essential to any group child care program if it is to provide adequately for a child's needs, particularly when his mother is employed and absent from the home. We believe, therefore, that no program of day care should be established unless it takes full advantage of every available opportunity to enrich a child's developmental opportunities, his health, and capacity of his own parents to effectively rear their children. Group care which is only custodial in nature should not be permitted.

According to the Report of the House Ways and Means Committee, H.R. 1 authorizes $700 million for child care during the first year, designed to support 875 child care slots (of which 291,000 would be for pre-school age children and 584,000 for school age children). Administration spokesmen have testified that they estimate full day, full year, center care will cost $1600; full day, full year, in home care $894; and full day, full year, family day care $866.

It is the position of the League that the level of care which the Administration's estimate could provide is even less than a minimum level of custodial care and should be strongly opposed.

The League estimates that care at an "acceptable" level would cost even more than what HEW determined such costs to be in 1967—these costs would have to be adjusted upward to meet current costs in FY 1972.

The estimated cost, for 1967, was $1862 for "acceptable" group day care for three to five year olds. "Acceptable" care was defined as including a basic program of developmental care as well as providing minimum custodial care. The 1967 cost figure for "desirable" care was $2320 for the same age groups.[1]

The Ways and Means Committee Report states:

"Child care for the pre-school child should not be care of low quality, but should include educational, health, nutritional, and other needed services whenever possible. However, the lack of child care of that level would not be good cause for failure to take training, if other adequate and acceptable care is available."

However, it is obvious that the care contemplated would not be adequate and acceptable, but would be "care of low quality."

The League is not calling for the ultimate in comprehensive child care services in the beginning of any new program but believes that children would be endangered and severely damaged by the wholly inadequate programs envisioned under H.R. 1. All knowledge and research about child development indicates that poor child care programs for young children are destructive to the child's well-being and healthy development. We believe these programs would be not only damaging to the child and family but economically unsound as well. The costs of training and day care are likely to be even greater than the cost of maintaining the child at home.[2]

The Report of the Ways and Means Committee states that:

"The Secretary of Labor may purchase child care directly through contracts with public or nonprofit agencies. He may buy child care from private, profit-making enterprises. He may enter into contracts with school systems to supply after-school child care for youth of school age. He may operate, through his manpower agencies, a system whereby seekers of child care are brought together with persons who would like employment through caring for children.

"The Secretary could make considerable use of a voucher system, under which the mother can have maximum choice in selecting a child care facility.

"When the mother moves from training into employment (or goes directly into employment), rather than the Secretary paying for required child care, the mother would be required to pay for the care out of her earnings, if her earnings were substantial enough, and then get credit for the expenditure by deducting the cost from the earnings which would otherwise be used to reduce family benefits.

"It is expected, therefore, that funds earmarked for child care slots will be used primarily to pay for child care when the mother is in training, while the earnings disregard provision will be used when the mother is working. The effect of this latter provision is to increase the child care support provisions well beyond that which could be achieved by direct purchase of care."

It is unclear whether federal child care standards would be applicable to child care selected by a parent and paid for with federal vouchers, to child care subsidized by a child care income deduction, or to child care federally reimbursed by an income disregard for assistance recipients. Administration officials have indicated that in at least some instances where vouchers were utilized that child care of a substandard nature could be purchased. It is likely that this would also be the case for tax deductible child care and for child care paid for under the income disregard provision.

There is in these cases a financial incentive for the mothers to choose less costly care. The $2000 ceiling placed on the permitted amount of income disregards for a combination of child care costs, student earnings and irregular income is a case in point. We believe this ceiling should be eliminated or substantially raised so that a mother may be fully reimbursed for the cost of care without having to place her children in substandard facilities.

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[1] *See Child Care Data and Materials*, a Committee print prepared by the staff for the use of the Committee on Finance, dated June 16, 1971, p. 131. It is a compendium of important current statistics on child care (including cost data), reports of child care studies, relevant statutory language, and regulations on child care. The Federal Interagency Day Care Requirements are included.

[2] Testimony on these issues is contained in the Record of the Finance Committee's hearings of July 27–August 8. The child care data and reports of previous child care studies confirming these points are contained in the Committee Print, *Child Care Data and Materials*.

Despite language to the contrary in the Report of the House Ways and Means Committee and in statements made during previous Finance Committee hearings, H.R. 1 provides no statutory guarantee that day care would be required or provided for the children of mothers who volunteered or were required to register for work or training programs under Title IV of H.R. 1.

The guarantee of day care presently in Section 402(a)(15)(B)(i) of the Social Security Act is repealed by H.R. 1. In addition, the day care requirements of Title IV–B in Section 422(a)(1)(c), which are presently applicable to both Title IV–A and IV–B child care programs, would apply only to Title IV–B under H.R. 1. Since the child care provisions of H.R. 1 would be contained in a new Title XXI they would not be covered by the present provisions in Section 422(a)(1)(c) of the Social Security Act. These provisions include safeguards to assure day care which is in the mother's and child's best interest, and which may be provided only in facilities licensed or approved by the State.

We believe that the present language with respect to day care in these provisions should be retained, and should be applicable to all child care programs financed under H.R. 1.

Section 2134(a) provides for the establishment of "standards assuring the quality of child care services provided under that title" by the Secretaries of Labor and HEW. Although Administration officials have indicated that new federal standards are now being drafted to implement this legislation, a final draft has not yet been made public. A preliminary draft, circulated to a variety of child care authorities, was printed in the *Congressional Record* of July 1, 1971. This preliminary draft contained such lowered and inadequate standards that it was unacceptable to the CWLA and to many other specialists in the child care field.

The basic quality of federally financed child care depends upon good standards, strongly enforced. It therefore seems vital that the Congress and the public be informed about the Administration's standards before legislation which gives such broad Secretarial discretion is passed.

Section 2143(a) also authorizes the Secretaries to prescribe fee schedules for families under the assistance plan able to pay part or all of the cost of child care. We believe that some guidelines with respect to the fee schedule for this subsidy should be made a part of this legislation. We believe that there should be an income level below which any family would receive free child care, taking into account the number of children in care. (We suggest the BLS standard of $6900 for a family of four.) We also believe there should be a maximum limit on the cost of care which should be subsidized for each child and that it should be set in terms of the average cost for quality child care in any given region or locality.

We believe that there should be adequate provision for the availability of child care in order that women on welfare who seek employment may take jobs without detriment to their children's welfare. In this sense, we agree with Senator Long that the "availability of child care is a key element in welfare reform." We do not believe it essential, however, to include legislative provisions for the establishment of child care programs in the welfare reform bill. Separate child care legislation which provides for comprehensive programs for all children needing child care, including those receiving welfare assistance, would be preferable. A welfare reform bill might, however, include authorizations to pay for the needed child care of welfare families.

Child care is not, in our opinion, a proper function of the Department of Labor. Child care should not be viewed primarily as a manpower device. It must be child and family-oriented to ensure that the child's welfare comes first. Therefore, the Department of HEW is the more logical department to administer child care programs. Expertise with respect to the services required for these programs is, or should be, in that Department. The HEW experts in the areas of child welfare, child development, health, education and nutrition, etc., are needed to establish and administer sound child care policies.

It also seems unnecessary, as well as administratively and economically unsound, to have duplicate systems of child care in two departments.

In any case, no matter which agency or agencies of the federal government administer the funding of child care programs, we believe priority should be given to the funding of operating agencies along the lines suggested as follows:

1. Public or private non-profit agencies that presently provide the required service in an effective and efficient manner;

2. Public or private non-profit agencies that do not presently provide the required service but are willing and capable of expanding their functions; or are willing and capable of creating new programs;

3. Any other provider of service that presently provides the require service in an effective and efficient manner;

4. Any other provider of service that does not presently provide the required service but is willing and capable of expanding its functions to do so;

The Child Welfare League of America makes the following child care recommendations:

1. The availability of day care and early childhood programs necessary for the sound development of children should be established under separate legislation.

2. Welfare reform legislation should provide for the funding of child care services for welfare mothers who volunteer for training programs, or who are employed, or who are undergoing vocational rehabilitation, and who desire child care services for their children. It should also provide funding for child care for children who need such services for reasons other than the employment of their mothers. The funding should be at a level sufficiently high to pay the cost of quality child care.

3. The Department of Labor should not be responsible for administering child care programs. This should be a responsibility of the Department of Health, Education and Welfare.

4. The present guarantees and protections for children in day care contained in Section 402(a)(15)(B)(i) and Section 422(a)(1)(c) of the Social Security Act should be retained and applicable to all child care.

5. Standards for child care for children of families under the welfare program should be the same standards that apply to child care for all other children. The League believes these standards should be at least as good as the Federal Interagency Day Care Requirements of 1968.

6. The work and training programs for mothers should be on a voluntary basis—preferably for all mothers, but particularly for mothers of pre-school children and school age children when they are not in school.

7. There should be priorities for job and training programs for unemployed fathers, volunteer mothers, youth over 16 and out of school and others, as suggested in amendments previously proposed by Senators Bennett, Ribicoff, and Talmadge. (Some of these priorities are now law as result of the passage of P.L. 92-223.)

We believe that child care legislation now before the Senate Finance Committee should have much in common with the comprehensive child development program passed by the Senate and House but vetoed by the President. We hope that programs of the same scope and quality of the vetoed bill will beocme part of all child care legislation, although there may be differences in plans for the administration and financing of these programs.

In closing, we wish to stress the need for quality child care to help all children achieve their maximum potential so that they may emerge from childhood as healthy, secure, and productive adults. They are, indeed, the future of this nation.

Senator ANDERSON. Senator Chiles?

STATEMENT OF HON. LAWTON CHILES, A U.S. SENATOR FROM THE STATE OF FLORIDA

Senator CHILES. Mr. Chairman and members of the committee, I appreciate the opportunity to testify before the committee. I would like to put in a full statement and then reduce my comments to a somewhat shorter version.

Senator ANDERSON. You may handle it that way.

Senator CHILES. Thank you, Mr. Chairman.

I first want to open by applauding the efforts of the President in trying to attack and seek to reform the present welfare system. I think this in and of itself is a good motive and I applaud those efforts. I, at the same time, applaud the efforts of the intent of H.R. 1 in trying

to help the so-called working poor. I think at that point it shows to me some misunderstanding, even a misnomer in the words "the working poor." What is the working poor? I am not sure I understand it.

My father, during the days of the depression—and I can remember those in the latter days—worked on the railroad and was laid off of that job and was delivering milk and making $15 a week. We never considered ourselves poor. There were an awful lot of people in the same kind of shape, and he was working and so I don't think he would have accepted the classification of being called working poor, and I find today an awful lot of people, based on my education or my prejudice in the subject, really comes from my campaign and in walking the State of Florida and in talking to what is defined as the working poor every day—agricultural workers, farmers, low-income farmers, people working in a filling station, somebody working on a truck. People who fit into the definition of the so-called working poor, don't consider themselves to be the working poor. The first thing that they would tell me every day that I would run into one of these people was that whether they were a black man or a white man, the first statement they would always make to me is, "I don't get no Government check," and the pride they had was that they were making their own way. This was the greatest thing that I found they had.

Now, the thing that terrorizes me is that we will do something in our attempt to help these people that takes away from them that pride that they now have and I think that would be the greatest damage that we can do.

I think these people aren't getting a fair break. I think that they need some assistance, but I think that we have got to try to shape legislation to determine how we can help them without taking away the one thing that they have—pride.

One of our greatest problems with welfare is, I think, is that we started off with a system where we were going to try to help people help themselves. We quickly realized that there were people under welfare that can't help themselves—the halt, the crippled, the lame, the motherless children, the people who for other reasons cannot work or cannot earn—but then we have the classification of the people who do need help but with some kind of training or some kind of assistance should be able to join the working force, and those are the people, again, that we are trying to direct ourselves to in this legislation.

I found also that this man that I talked to on the road every day, the so-called working poor, really didn't want a handout from the Government but he was mad and didn't think that he was getting a fair break and really felt like he was paying more of his share; and I have to agree with him when I look at the present social security system.

When we begin charging on the first dollar of earnings of a working man of his wages and we only charge today on the first $7,800, you can see right there the burden that you place on him and in our income tax situation we give him deductions and if he has got a number of children he is not going to pay income taxes. If he only earns $3,600 a year he is not going to pay income tax but he is going to pay about $180 in social security tax—that is going to rise and yet we are going

to turn around and under the provisions of H.R. 1 we are going to give this man a Government check, while we are taking from him in one hand we are talking about giving to him in another.

The other thing that I think is so rankly unfair in the present system is that we started off with social security to be a method of, in effect, forced savings, of the working man putting aside something today that he was going to be able to use for his retirement tomorrow.

That is not the system at all. The system today is that the man who is working today is paying for the person that is retiring regardless of whether that person has paid in anything, any benefits, earned anything under the system or not. He is also paying for the widows' rights; if the child dies and up to age 18, he is paying for many things that ought to come out of a general revenue dollar, that ought to come out of an income tax dollar but shouldn't come out of the first $7,800 of earnings of a worker.

Now, that is why I think that you are finding people who say, "Why should I work?" because it is as attractive not to work as it is to work when people are in the low-income bracket and there I think is where they need some assistance.

I wrestled with this thing for a long, long time trying to be, not just be negative, and find out what was wrong with H.R. 1. I tried to figure what are ways that we could try to address ourselves to help this working man without taking away his pride; and some of what I tried to design I have put into the substitute that I have introduced for H.R. 1, S. 2872, and I would like to speak about that, if I can, just a minute.

There are really two principal things in this bill: I tried to take some of what I think are some of the best features out of all the proposals, the proposals for work training, the proposals for day care, the proposals for allowing you to earn up to a certain amount and I incorporated those but I think the two different features in the legislation that I have introduced and perhaps the committee, if it saw fit, and thought there was some benefit, could amend these into what the committee comes out with.

One, you wouldn't charge a person anything on his social security, on his withholding or even if you withheld from him, and I think that would be the better way, would have to withhold on the wages, you would credit him with the amount of that up to the point that he starts paying income tax.

Why should we take a man's social security when we don't take his income tax; why should we take dollar one of the working man? If you gave him a credit on that, as we do on the income taxes withheld from him, we give him an opportunity to get that back. I think up to that point you certainly give him a fair break and you encourage him to go forward and earn even to a higher bracket. You are not placing all of the burden on his first dollars of earnings.

The other thing—the proposal in my legislation, would be and I preface it by saying very definitely in the future because I don't think politically you can do anything about the present minimum benefits, but in the future you would not pay a minimum benefit that did not relate to earnings paid into the system.

Now, we pay approximately $60 a month as a minimum benefit to anyone that is qualified, i.e., paid four quarters under social security.

It is a standard thing for a bookkeeper to advise his clients that "You are getting close to retirement time now; you should put your wife on the payroll for a few quarters so she will be able to draw social security." It is done time after time and we have this minimum benefit; and if you look back into the history you find that we first paid a minimum benefit as a bookkeeping device for the Federal Government. At the time we didn't want to compute the pennies and what they had earned under it, so it was easier to pay a $10 minimum benefit; it was cheaper for the Government to pay by a bookkeeping device, and then Congress would every 2 years when election time would come along, would introduce an amendment to raise the minimum benefit; and we have got legislation now to raise the minimum benefit even more.

What happens is you pay everybody this minimum benefit regardless of their need, regardless of what they paid into the system and the guy who carries it on his back is the working man, the so-called working poor. He is the guy up to $7,800 who is paying all of that and it is something that is just so grossly unfair that something needs to be done about it.

What would it amount to? Fifteen billion dollars a year is what it would amount to if you didn't pay the social security benefit, if you stopped paying it and paid just on the basis of earnings.

How do you take care of people who have a need? Well, H.R. 1 addresses itself and it is going to set up $150 a month for someone who is truly in need.

I think it would be better to pay an adequate amount to someone who can earn, who is truly in need under a welfare provision of H.R. 1, which is paid for out of general revenue dollars and don't pay a minimum benefit to someone who has not earned it and does not have any need which is charged back against the working man.

I think this would be certainly something that would give this person a little more confidence in his government. He doesn't really know, where he is getting it in the neck now, he does not understand this but he knows it is not fair and he can tell you right now the system is not fair as it addresses itself to him.

The other feature, which is incorporated in H.R. 1, and I think really something needs to be done about, is to allow these people who have retired to earn up to $3,000 a year, at least up to the point where in combination with what they will get for their social security they will be able to live in dignity. Why should you charge them 50 percent of their earnings where they earn over the prescribed amount? We take 50 percent of their earnings in tax. I think it would be much better to encourage them, and those are the basic features that I have tried to address myself to in my bill, Mr. Chairman.

The CHAIRMAN (presiding). Thank you very much for a very thoughtful statement, Senator Chiles.

Any questions?

Senator FANNIN. Mr. Chairman, Senator, I certainly am in agreement with you in what you have stated that it should be our goal in trying to solve some of these problems.

When we talk about the low wages and we talk about the working poor, that person is poor because his purchasing power is so reduced

because of inflation. One of the great problems we have, and I know that in my State and, I imagine, in your State, Florida, it is probably the same, a person is working for $2 or $3 an hour and he needs to have something done in his home, service work, plumber, or a refrigerator man and let us say a roofer or something like that. He pays anywhere from $16 to $18 an hour for that service so it is the inequity that is involved; and here we have people working just as hard but because they happen to be in a union that has forced the wage scale that is completely unrealistic, this man suffers from the standpoint of being able to purchase those services.

Do you think that we need to provide a means that these people can get into unions, have work programs, that have the type of apprentice programs that would make it possible for them to get into these unions?

Senator CHILES. Yes, sir. I think basically that these are people in the main who do not have a spokesman for them and been and are deprived of that wage. By the same token, somehow over the years we have a completely strange view of what we pay for, regardless. As you know, the dignity of certain work gives a higher wage and yet a person who is probably just as essential or more essential to our everyday existence finds that he does not get wages or his job has much less dignity and that should not be either.

Senator FANNIN. Well, of course, the Federal Government is responsible in many of these instances. For instance, in Federal construction work, the Davis-Bacon Act—I came across a construction job where they were paying $7.20 an hour for a laborer and it was a closed shop program. Here you are paying $7.20 for a laborer and the people in the surrounding areas that want to employ somebody who would probably be very well satisfied with $3 or $4 an hour leave and go to that $7.20 an hour which the Federal Government sponsors; but, of course, it is a closed shop deal. They would be glad to do so but here we have such inequity which we create ourselves.

Don't you think we should have more equitable labor laws?

Senator CHILES. Well, the only thing, Senator, I would hate to see us go backward. I think—I agree with you, that everyone should be able to have a voice and should be able to have someone that would try to help them to see that they are getting a fair return for their endeavors and their work.

Senator FANNIN. Yes. Well, I don't think 20 percent of our workers should be in a position where they have this premium pay without necessarily doing more work and 80 percent of the workers cannot compete with that.

Senator CHILES. No, sir; but I would not attempt to take the returns that the 20 percent are now getting and divide them among the 80 and that would help the situation. I think it is a question of trying to help the 80.

Senator FANNIN. Of course, the thing about it is, if a person is getting $9 an hour for work that others are doing for probably $3 or $4, then there is a great inequity in that respect and this is what is happening now that force wages up to where they are very unrealistic; and then by closing out the apprenticeship programs they are making it very difficult for—impractical for a person to get into

that position. I think this is where we have the responsibility. I think we have the responsibility to correct some of these inequities if we are going to try to be fair with these people we are talking about—the working poor; we are prejudicing them from getting a good job.

Thank you very much.

The CHAIRMAN. Any further questions, gentlemen?

Thank you very much, Senator Chiles.

Senator CHILES. Thank you very much.

The CHAIRMAN. You made some good suggestions.

(The prepared statement of Senator Chiles follows:)

PREPARED STATEMENT OF HON. LAWTON CHILES, A U.S. SENATOR FROM THE STATE OF FLORIDA

Mr. Chairman, everywhere I turn today—in newspapers, magazines or conversation with my colleagues, I hear the term "crisis" used with reference to the welfare system. We are, supposedly, in a "state of crisis." And I think I am in basic agreement with this assessment of the situation. I think we are experiencing a welfare crisis. But I think that crisis is being largely misinterpreted. It is misread often as a fiscal problem—a problem purely of money; or a fraud problem—a legal issue; or sometimes as a work problem where the myth is perpetuated that anyone who truly wants to make it still can make it. But the real crisis here can be best defined as a crisis of American conscience. And I believe it all boils down to the question of how much longer we are going to avoid really helping the truly needy and how much longer we are going to levy an unfair burden on our lower and middle working classes.

We are all aware of the increasing numbers of people on welfare—aware of the fact that the number of welfare recipients in the United States has doubled from 7.2 million in 1961 to about 14.4 million today. And the sheer number of people on welfare rolls and the enormous dollar figures associated with them stagger us and keep us from getting a picture of the real issues—helping those who need, truly need help, and distributing the burden for that help as fairly as possible. I think we all recognize that simply increasing the amount of direct welfare payments is only going to make the problem worse, by making unemployment more attractive than employment and by making working people pay more than ever to support those who are not working.

I got my best and closest look at the welfare problem during my campaign walk down the length of my State of Florida. During that walk I found out what a lot of people had uppermost in their minds—what they felt the government was doing right as well as what they objected to. And I met many people in the low-income bracket who would express their pride to me over and over again in earning a check instead of being on welfare. For them it was a real point of genuine pride that their income, even though it might be small, was earned and not received as a dole or handout. I began taking a closer look at the facts and figures regarding welfare and found that the increasing numbers of people on welfare were closely paralleled to the increasingly large benefit payments which placed a greater and greater financial burden on the low and the middle income taxpayer. As this person's relative tax burden (including Social Security payroll taxes as well as income taxes) increases, it is natural that his incentive to work decreases. If he's on the low end of the income scale, the working taxpayer may find that welfare payments are larger than any after-tax income he or his family can bring in. He might then slide over—in fact he is really "encouraged" by the system's structure to slide over—into the growing group of non-working poor who are supported only by welfare checks. His family may fall apart, an alarming trend encouraged by the current welfare system which often makes it unprofitable for families to stay together. And, yet though more and more people go on welfare, the truly needy—those who do not have the physical or mental abilties to support themselves—receive relatively less, sometimes less than they need to stay alive.

I have studied the various major Social Security and welfare proposals and believe they have some merit. But because I felt further work needed to be done I introduced in November, 1971, an alternative to H.R. 1 and the President's Family Assistance Program. My substitute, S. 2872, contains what I think are the best features of both plans and some new ideas as well.

I feel the current welfare crisis has been caused at least in part by a deterioration of reliance on the family structure, and a lack of sufficient support for those in real need. Our present welfare system is unfair in many ways, but primarily because the distribution of the burden is unequal and the administration of the welfare program is complicated and cumbersome, leaving the door open for fraud and misuse. I introduced my proposal to seek to deal with these problems by (1) seeing that the people who are capable of training and work are put in training and given an opportunity to work; (2) giving help to those who are in real need of assistance; (3) decentralizing the administration of the program as much as possible for effective response to citizens' needs; and (4) closing unjustifiable loopholes through which large amounts of welfare dollars now flow to get rid of the "give-away" label the welfare system has been tagged with. While some of the fraud is understandable given the nature of the system, none of it is excusable, especially when it is used by many of the nonpoor in their so-called "proofs" that the poor are only loafers—able, but unwilling to work and looking for ways to cheat the system.

I believe the two most important changes my bill proposes are: (1) the limitation of Social Security taxes to the amount of income taxes a person has to pay; and (2) the elimination of a minimum social security benefit.

1. LIMITATION OF SOCIAL SECURITY TO AMOUNT OF INCOME TAX

My bill provides that the Social Security taxes paid by low-income people shall not exceed the amount they pay as income taxes. Under this provision, Social Security taxes would be deducted from an individual's pay just as they are under the present law. However, at the end of the year the individual could qualify for a refund of the credit toward any unpaid income taxes if his Social Security taxes exceeded the amount paid in income tax.

The way the present system is set up, a man can pay more in his Social Security taxes than in his income taxes. For example, a man with a wife and two children who earns $3000 a year pays no federal income tax, but pays Social Security taxes of $156 per year. This rises to $181.50 in 1987. This same man could become entitled to a Social Security benefit of $154.50 a month at age 65, under H.R. 1. However, a man 65 who never worked could qualify for a monthly payment of up to $150 a month under the welfare provisions of H.R. 1. And, in addition, the man who worked to earn the $3000 a year would find that as the result of having paid Social Security taxes his retirement income would disqualify him for medicaid and he, unlike the man on welfare, would have to pay the medicare premium (now $5.60 a month) so that he would actually be left with less money in his pocket than the man who had never worked! Clearly this is a system in need of reform.

Social Security was originally thought of as an insurance program where workers would pay premiums into a trust fund while they were working in return for guaranteed payments after they retired. But the "insurance concept" doesn't seem to hold anymore. Social Security taxes, like income taxes, are compulsory. No close relationship exists between Social Security benefits received and the amount of "premiums" or Social Security taxes an individual has paid in over his lifetime. The system is especially unfair to low and middle income American workers.

Under the provisions of my bill, no person would ever pay more in Social Security than he pays in income tax. S. 2872 provides for a rebate—that is, a man would pay Social Security taxes throughout the year and at the end of the year if the amount of his total Social Security tax was larger than the amount of his income tax, he would receive a rebate in the amount of his excess Social Security Tax.

2. ELIMINATION OF SOCIAL SECURITY MINIMUM BENEFIT

My bill also provides for the elimination of the Social Security minimum benefit. I want to emphasize that I'm talking about people who would qualify for minimum benefits in the future. I am not suggesting that anyone who gets benefits now should have these benefits reduced. Anyone receiving the minimum benefit would continue to receive it. Under the present system at age 65 the minimum Social Security benefit is $74 a month. There is no income test applied for this amount. Yet the minimum benefit is paid to many people who have no special need, whose retirement income is sufficient to support them well-

retired Federal and State employees, for example. I repeat, under this provision anyone receiving the minimum benefit at present would continue to receive it. However, in the future the monthly payment would bear some relationship to the amount paid in Social Security taxes. There would be some income test applied for this amount. And this one change would result in a long-range savings of 3% of taxable payroll or an average of about $15 billion annually.

I realize that the heaviest burden for financing Social Security benefits rests on the low and lower middle income working man. My bill would increase the Social Security tax base from $7,800 a year to $10,200 in 1972, rather than the $9,000 base scheduled to go into effect in 1972 under present law. It would be a step toward relieving the working man of his unfair portion of the Social Security burden. When adopted, the maximum tax base of $7,800 a year was fairly close to the median family income. But that income level has increased and I believe the Social Security tax base should increase with it. No one pays payroll taxes on earnings over $7,800 under the current system, so naturally people with high salaries pay a smaller proportion of their earnings than people with low salaries. I believe those with higher income should bear a greater relative share of the burden. The very people who can least afford to pay end up, under our current sytem, paying a larger portion of their income than any other group to support the Social Security system and their fair share of the general revenue welfare systems. These are the people we should be encouraging to work, yet their incentive to do so is reduced by a high tax burden which grows constantly.

My proposal would make Social Security benefits come more into line with the amount paid in Social Security taxes and would allow us to use the money saved here to help those truly in need. While it is true that some part of this savings of an average of $15 billion annually would be offset by the increase in old-age assistance payments, still the oldage assistance payments would be coming from general revenue—not from Social Security taxes; it would be revenue levied in a somewhat fairer way, not like Social Security taxes where the heaviest burden is put on those least able to pay. Once again—let me emphasize that provisions of my bill were designed to accomplish two primary goals of a welfare system: To really help those who truly need help and to distribute the weight of that assistance as fairly as possible.

Like H.R. 1, my bill provides a 5-percent across the board increase in Social Security benefits effective January 1972 as well as automatic increases when the cost-of-living goes up 3 percent or more in a year. My alternative welfare reform proposal builds, I believe, on the best portions of existing reform proposals and uses the existing Social Security assistance system to benefit those who would otherwise go on general welfare rolls under either of the other two major plans.

I think our current welfare situation can be understood through identification of causes and characteristics. There is, I believe, a deterioration of our belief in the work ethic among those who are physically and mentally capable of supporting themselves and their families. A good welfare system would strengthen the work ethic by separating the truly needy from those who can support themselves and limiting government support to the truly needy. My proposal would try to stem that deterioration of belief in work ethic by reducing Social Security tax burdens for low and moderate income groups and thus give increased financial incentive for the potentially self-supporting to work. It would provide that strict work requirements be made a part of the AFDC program and it would encourage retirees to remain active and supplement their earnings, if they wished by increasing maximum earnings allowable.

INCREASE OF EARNINGS LIMITATION FOR SOCIAL SECURITY ANNUITANTS

S 2872 also allows a person receiving Social Security benefits to earn up to $3000 without suffering a loss in benefits. The present system allows him to earn only $1,680. My bill provides financial incentives for those who can work to work. Under my proposal a man will always come out financially ahead if he works. With the present system this is not necessarily so. S. 2872 provides for strict work requirements for anyone on the Aid to Families with Dependent Children program. It would extend medicare coverage to Social Security and railroad disability beneficiaries and increase benefits paid to a widow equal to the amount her husband had received as a retirement benefit. It would pro-

vide for identical rules for computing benefits based on the earnings of men and women effective over a 3-year transitional period and establishes a minimum of $150 a month cash assistance under federally matched state welfare programs for the needy, aged, blind, and disabled.

Our welfare system as presently structured encourages the breakdown of the family unit and virtually forces fathers out of their homes. A good welfare system would encourage family stability by including greater relative benefits for families who stay together. Under my proposal all those able to work are encouraged to work by a lowering of the tax burden. My bill makes it more profitable to work than to desert and receive AFDC. AFDC is held to a minimum.

A good welfare system adequately supports the truly needy. If those who can support themselves are given strong incentives to do so, then more money will be available to provide adequately for the truly needy. In my proposal the tax burden for lower and middle income groups is lowered, encouraging them to continue to work and stay off welfare rolls. My proposal also includes overall increases in Social Security benefits along with a minimum guaranteed benefit of $150 for the aged, blind, and disabled. The present inequitable distribution of the financial burden of welfare is redistributed so higher income groups and employers bear a fairer share of the burden through changes in the Social Security system and through shifting of some financing to general revenue. I also believe a good welfare system would be one where the focus was on local needs—and this focus would require considerable decentralization. Lastly, a good welfare system would benefit only the truly needy and be fairly administered. This would require the closing of unjustifiable loopholes and the strengthening and enforcing of fraud penalties. A good welfare system would hopefully end the biggest fraud of them all—the present system of welfare which fails to help the needy and continues to overburden the lower and middle working classes. The present system simply perpetuates a cycle that is difficult to administer, largely ineffective, and very unpopular with those who pay for it and those who get paid by it.

Let me say in closing Mr. Chairman that there are two basic innovations in my bill I wish to particularly endorse. Those are: (1) the limiting of Social Security taxes to the amount paid in income tax; and (2) the elimination of the minimum Social Security benefit. These are the two features I feel are unique. They are specifically designed to relieve the low and lower middle income working man of his unfair share of the tax burden. Their incorporation into our welfare system would, I believe, result in the saving of a substantial amount of money which could be put to much better use by giving more help to those in greater need.

Our welfare system is in dire need of serious reform. And I see great challenge and opportunity in the crisis we are now experiencing. Our opportunity is to help those in need and our challenge is to distribute the burden for that help through a fairer system.

Many Americans have begun, unfortunately, to doubt the very ability of their government to cope with complex, difficult problems such as welfare. Their faith and confidence in our government can and must be restored. A firm resolve to conscientiously accept the opportunity and meet the challenge that is before us would be a good beginning.

Our goal is clear—to aid the needy and share the burden for that help fairly. I sincerely hope the bill this Committee reports will incorporate the changes needed to secure those goals and enable all our citizens to live with dignity and security.

The CHAIRMAN. We will now hear from Dr. Wiley of the National Welfare Rights Organization, and his associates.

STATEMENT OF GEORGE A. WILEY, EXECUTIVE DIRECTOR, NATIONAL WELFARE RIGHTS ORGANIZATION; ACCOMPANIED BY BEULAH SANDERS, NATIONAL CHAIRMAN, NWRO

Mr. WILEY. This is Mrs. Sanders of the Welfare Rights, and we have brought a number of expert witnesses to testify against this bill, and the children directly affected by it and I would like to ask if they and their parents could come to the witness table: Collette and Yvette

Barnes are here; Tony and Annie Ratagick; Edward Butler; Timothy Johnson and Janet Kelley are all residents here of the District of Columbia.

I would also like to have Mary Cornelius, who is a Chippewa Indian who is part of the Indian committee.

Mrs. Sanders?

Mrs. SANDERS. First of all, Senator Long, it is a good thing to see you smiling. I thought for a minute you weren't going to be in this room but I am sure glad you came back in here so you could hear the testimony.

The CHAIRMAN. Well, thank you. I had another commitment but I hurried back. I wanted to hear your testimony.

Mrs. SANDERS. Because the statement that I have for you if you weren't going to be in this room is going to be pretty rough. The fact that the children are here this morning to testify themselves is because the FAP bill is going to affect them the most. But there are a few things I would like to say and I wanted to go on record before they even testified.

I can't understand why you feel that illegitimacy and desertion happens to be a welfare mess. It began before we came along. The welfare program began before we came along and I am quite sure the Senator who just left the table will tell you that the program, the welfare program, was started to help people to help themselves. That program has been a failure from the time it began.

I can't understand why you want to deal with the whole question of illegitimacy. I don't even know what the word stands for myself. I know what the dictionary says but how can we guarantee that none of you in this room are not illegitimate children. You don't even know whether you was in your mother's womb before she was married so how can you say you are not illegitimate?

I think one of the things you need to start doing, all of you doing, is dealing with the word "illegitimacy" because these kids are not here because they asked to be here and I am quite sure you are not here because you asked to come. You need to start dealing with the kids and thinking about their future as a human being and I really don't consider you being a man of a human being specimen, because what you have been doing with your committee is just uncalled for. You have not dealt with the situation like you should have. You have not come up with a decent kind of program that would get these kids out of this welfare mess, that would help them to grow up to be decent citizens; and I think it is about time for a change.

The whole committee needs to be wiped out and new people brought in to deal with the situations as it is today, not the old situation that you are still living in. This is a new day and time. You can't deal with the facts that you are dealing with things that was brought up during your time of life. These are young people that have to be the future of tomorrow and you cannot deal with that question. You are not helping them to be with you until tomorrow.

I would like to see some of these children sitting at this table take your seat one day. They can't do it if you are not going to help them.

And I am not saying it just to get no "right on's," either. I am talking facts because I have got three kids that I hope to see sitting in one of these seats and if you old guys would start dealing with the future instead of your old way of life, we might get somewhere; we might be able to change this welfare problem. You might be able to tell Nixon if he stops spending so much money on the war that he can deal with their future and if he stops spending so much money on feeding his dogs he could spend money to feed them, to see they get the proper food, the decent medical care and they would grow up to be healthy children and might get that education so that they could take your place; but you are not even doing that.

Now they are here to tell you just how they have to live on welfare, because it is not a beautiful deal; it is not a beautiful game. And I sat back and watched the whole time you came back; you smiled; I am glad to see you smiling but I sure would like to see you doing better than what you are doing because H.R. 1 is for the birds. You know it is not for human beings.

So I think they can take it from there. I get pretty disgusted having to come down here and try to appeal to you. It's like having to beg for life and people are tired of that. You are supposed to be representing us. Just because you come from Louisiana, you represent all of us because you are a Senator; so I think you really need to take it from that way and start representing people as human beings because people cannot live off of no $2,400.

You have Tony Ratagick who can give you an example of just how his mother has to live. Tony, do you have the mike in front of you? You tell Senator Russell Long. You see that man sitting right there in front of you? You tell him what it is to live on welfare. Tell him what your mother has to go through.

STATEMENT OF TONY RATAGICK, AGE 10

TONY RATAGICK. She had to be to work; she already has a job taking care of us. She don't earn enough money and we don't want to go to day care because they have got terrible things down there and we don't get enough money for food. They don't give us enough food money. There are a lot of other things I don't like.

Mrs. SANDERS. Tony, do you understand what that means?

TONY RATAGICK. Yes.

Mrs. SANDERS. Does it mean your mother has to go out to work? Is she being forced out of her home?

TONY RATAGICK. Yes.

Mrs. SANDERS. Do you feel your mother should be home when you come home from school?

TONY RATAGICK. I do.

Mrs. SANDERS. Well, ask Senator Long was his mother forced out to work when he was growing up?

Senator BYRD. Mr. Chairman, may I make this observation?

Would the witness be inclined not to make personal attacks on the chairman.

Mrs. SANDERS. Go home.

Senator BYRD. Would the witness be inclined to direct herself to——

Mr. WILEY. The chairman has made personal attacks on the people on welfare and you can't start saying don't make personal attacks. This man, Russell Long, has stood up and has written speeches and he used tax money to publish attacks, saying these are illegitimate children; and this man controls vast amounts of money that could be used to help feed and clothe and house children here and you say don't make personal attacks on this man.

Now, every one of you here has to take personal responsibility for the starvation, for the malnutrition, for the hunger, for the ill housing that happens to these children and so let's talk about polite company and don't make personal attacks. These are matters of life and death that affect human people every day and we can't divorce ourselves from those attacks.

Mrs. SANDERS. I am talking to him as a woman and I think he should talk to me as a man. He could protect himself. He got a mouth. Let him speak.

The CHAIRMAN. Well, you people, the witnesses here today——

Mrs. SANDERS. You people—my name is Mrs. Sanders, Mr. Long.

The CHAIRMAN. Well, lady, whatever your name is——

Mrs. SANDERS. Don't say lady. I have a name. I call you Senator Long; you call me Mrs. Sanders.

The CHAIRMAN. Well, Mrs. Sanders, you can just utter any insults you want to me. I am here to hear you and I am going to hear you and, Mr. Wiley, you can just address yourself in any kind of insults you want to. I want to help the same people you want to help and I am going to do what I can.

Mr. WILEY. That is the way you do it? We are talking about illegitimacy when the matters of children—we in welfare rights, Mr. Long, feel that every child is a legitimate child, even you, and that everybody has the right to live and that is why we have brought these children here because you don't seem to think that these policies and programs that you bring down trying to stomp and harass welfare mothers and their fathers have direct ramifications and hurt children and that is what we are trying to bring out here, Mr. Long.

The CHAIRMAN. Well, so far as I am concerned I am here to hear you. You go right on ahead and either use polite language—or you can use impolite language; you can use any kind of insults you want to; I will hear it. Go right ahead.

Mrs. SANDERS. I really don't understand what you are talking about—impolite language. What I have said to him I feel is correct.

You can ask any of the kids want to speak because I will get impolite in a few minutes.

Mr. WILEY. Janet, do you want to say something?

STATEMENT OF MISS JANET KELLEY

JANET KELLEY. My name is Janet Kelley. My mother was getting that $300 welfare check and it don't go around six children. If she buy food with this she can't buy us clothes and if she buy us clothes with it she can't buy us food. That is the way I feel about it.

Mr. WILEY. Do you understand, Janet, that all of the mothers in

Washington, D.C., would get less money than they do now if H.R. 1 passes?

JANET KELLEY. Yes.

Mr. WILEY. And is the money you get now, you say it is not enough for clothing, for food, and for the things you need?

JANET KELLEY. It is not enough.

Mr. WILEY. And it would be even less under H.R. 1?

JANET KELLEY. Yes.

Mr. WILEY. Thank you.

Ed Butler, do you want to say something? And his father is here with him.

STATEMENT OF EDWARD BUTLER, AGE 14

EDWARD BUTLER. My name is Edward Butler. I am 14. If they pass the FAP bill I won't get transportation to go to school. Sometimes I have to get out and catch the bus; sometimes I don't have any money. If they pass FAP I don't think I really can get the education.

STATEMENT OF CURTIS BUTLER, MEMBER, NWRO

Mr. BUTLER. I am a member of the National Welfare Rights Organization. Now I am not going to fuss with you but I am going to give it to you straight and plain and I am going to give it to you so everybody just knows what I mean.

First, I am going to give you—I am going to give you some rounded out figures.

Senator Long, have you thought about $2,400 a year for the family of four? Have you thought for a period of time, 4 years, that is $9,600 for a family of four to live on, and if you pay a hundred a month for rent, $106 for food, do you realize that is $5,088? You know that is $9,888; that is $200 more than you done got. Where are your clothes? Where are your utilities? Where are your medicines and other things coming from? What did you think about it? $2,400 a year, 4-year period of time only $5,600. Now $100 a month rent, 4 times 12 is 48; that is $4,800 pay for rent. $106 worth of food a month; that will amount to $5,088. Now, that is $9,888 that you are going to spend but you only got $9,600. Okay?

President Nixon's $2,700 a year, a 4-year period $10,800. No rent, no medicine, no clothes, no utilities.

Now the next thing I want to ask, where do you or any other gentleman would say that you is a good sense of moral leadership if you pass it and don't reject the bill as that? It can't be there. It can't be there. God said feed the hungry. Are you feeding them with $200 a month? $75 a month for a lousy dog to eat. For when they start to go to school them damned dogs aren't going over there but this boy here has got to go but he can't go; he can't go if he don't get that food and clothes. And you say you want to take them off the welfare. How can you take them off the welfare? I shouldn't be on welfare. You know why? Because my great, great grandfather worked for nothing. My great grandfather worked for nothing. My grandfather worked for noth-

ing. My daddy worked for nothing and they worked hell out of me for nothing. I ain't got nothing for me me live for this boy now.

But you see, if I would have gotten paid for the minimum wages and got bread and justice as any white man or anybody else would, I would not be on the welfare. But that is the trouble of it, that I am going to give it to you that we all know that our Honorable Elijah Muhammad telling us that our enemy maintains all the power against us to pay us to keep us trampled under their feets. Every time that the poor black man or the poor will start to do anything will be a bill on keeping it from, on raising up being eligible and secure for themselves, because our white brothers are against us. You are our brothers because we were here—you all are not superior to me because I am superior to you because the black man was here first. We know we were here first. We know how you—I know how you came here; if they don't, I know. I know how you came here; I know how we came here, but from years back on down what happens now. You have got your poor own color bleeding and crying just like the poor black. I was mad at this. I tell you, I don't know how I feel that; I just imagine going through my community and I am a man who can't see, look at the poor white children and poor black children saying, "Mama, I want bread," and you mean to tell me a man setting up at your seat and wouldn't reject a bill of $2,400 a year? He don't have no—he couldn't have a heart. I am not fussing for you; I want to tell you if you don't change this administration there will be a revolution. I am only telling you what God told me.

I am going to give you just another example. Every time you try to send a man to the moon you come back, billions and billions of dollars more to be spent in California for an earthquake but yet you don't have nothing to feed your poor children. Every time you look around you there is money going to all different countries, for military bases, medicine, food, clothes and what have you; but all people over there, how do you know they are not lazy; how do you know they are not able-bodied? They do nothing for us. Here sit people what you are supposed to take care of them who takes care of you.

You haven't been walking in to these seats by us; you came in by the black man and white man, the poor people voted and then you want to set before them and starving to death and get ready to get elected again; you want to shake their hand and "Hi" to them. Oh, Lord, have mercy and justice. God isn't going to stand for it.

Another thing that we can always know that our Honorable Elijah Muhammad teaches us that the rich is our enemy and so I am telling you all, I was not going to tell this administration isn't going to be round if you don't because it isn't going to last.

I am the man that Jesus Christ sent into the kingdom of paradise. I know how it looked but you don't. I know how it looked and when I went to the kingdom of paradise I was given the will and the love and I was touched by the hand of God to tell you simple people you had better wake up.

I would say in conclusion the United States is blessed because it has people here who have the vision, dreams and to advise you right to wake up or go to hell or they shall fall.

I thank you.

STATEMENT OF MARY CORNELIUS, ROLLA, N. DAK.

Miss CORNELIUS. I am Mary Cornelius. I am an Ojibwa Indian from the State of North Dakota. I live on a reservation that is 6 miles wide and 12 miles long. There are approximately 14,000 Indians on this reservation.

We have never heard of your H.R. 1 except through the National Welfare Rights Organization.

These kind of bills are completely foreign to my Indian people. We are speaking of children.

In 1934, 1940, 1955 and the year of 1972 my Indian people today are no different than when my reservation was established in 1884. For one thing, my Indian children today at 40 below zero and 30 below zero is there every day, 15, 20 below zero; they have inadequate clothing. Our children are being denied an education because we don't have glasses to go to school with so we can see our schoolwork. We have no one to appeal to. We have appealed to some of our Senators and if my Indian people wander away as far as 65 miles from the reservation, whichever county they have drifted into, are told to go back on the reservation to get their welfare.

We as American Indians are not just American Indians. We are two kinds of people. When the white citizens don't want us outside of the reservation they tell us to go back to the reservation. They say we are not eligible for your general assistance, your AFDC payments, foster home care payments; that is being denied now, today, to the Locata Sioux at Fort Totten, Dakota, the Forty Ates Indians, the Fort Berthound Indians in the State of North Dakota.

I am not going to appeal to you gentlemen because, to begin with, you all got rich off my ancestors' land. You didn't get all this tax money or get rich by yourselves. We were never on welfare in 1934. We were all starving. I can remember 1934; I was a very young person when my grandparents used to chop wood and sell it, sell it by the cord; and now you talk about welfare. It was you Europeans that brought this welfare.

We claim 10 million acres in the State of North Dakota and if you get all your squatters off there we won't need your welfare.

And I am extremely sensitive to school. We are speaking of children. Do you know this is 1972 and I just found six kids living in a car? Now where do you think we can go?

Mrs. SANDERS. Nowhere.

Miss CORNELIUS. Where are you going to send us? We are still prisoners of our own country and we are prisoners because the State social workers can come in and pick Indian children one day and put them in foster home care and the next day if you ask for foster home care payments for an Indian parent to take care of these children they are denied. So they work us coming and going and on behalf of the American Indian children when you pass this H.R. 1, which is another foreign document to us, and because all you people are saying up there how many Indian people were allowed to testify against this H.R. 1, how many reservations? We have got 158. I would like to know how many Indians came before this Senate committee hearing?

I think one thing the white man has taught me, if you don't make your TV payments they repossess it and I think it is about time the American Indians start repossessing our country back.

Mrs. SANDERS. Yvette?

Mr. WILEY. Yvette and Collette Barnes.

STATEMENT OF YVETTE BARNES, AGED 9

YVETTE BARNES. Mr. Nixon, we don't want you to take the check away from my mother or we don't have no money to live on.

Mr. WILEY. Thank you.

STATEMENT OF COLLETTE BARNES, AGED 9

COLLETTE BARNES. My name is Collette Barnes. I pray that my mother don't have to go to work, Mr. Nixon. We don't want FAP.

Mr. WILEY. Thank you.

STATEMENT OF RUTH BARNES

Mrs. BARNES. My name is Ruth Barnes, Mrs. Ruth Barnes. I have been married; my husband had deserted us. I am the mother of 11 children. I have tried to teach my children, my older kids, about the welfare. I work but I have been forced because I am unable now to work. I have taught my older children about welfare. But one thing about it when you start teaching your older children about welfare as soon as they get grown they begin to hate the white man because they feel that you all are the ones who makes them suffer. So I have the small ones which I have not really educated them on FAP but as soon as I do, the same thing will happen to these five small ones as happened to the six large ones.

I think my children deserve a chance to have an education and to be free and above all have liberty and justice as they say each day to the American flag. Thank you.

Mr. WILEY. Timothy Johnson?

STATEMENT OF TIMOTHY JOHNSON

TIMOTHY JOHNSON. My name is Timothy Johnson. If my mother gets less money than she has now, she will be sick and we will have nobody to take care of us and she won't be able to take care of us.

Mrs. SANDERS. I hope you will note that Timothy happens to be an asthma case and Timothy has to pay visits to the emergency section of the hospitals quite frequently and just to make it very clear the medical treatment of poor people and welfare kids have to receive in these hospitals is are completely rotten: They cut the medical assistance to people and these kids have to go to the hospital and sit and wait for hours.

Now, I spent 22 days in a hospital in December. I just got out 2 days before Christmas to be on my case. I went back to make two visits for checkup and I want you to know I sat all day in the clinic waiting to be seen by a doctor, all day. That is ridiculous.

Don't you know that I have to take care of my kids? Why should I have to sit all day just to be seen by a doctor? Then when you are

seen you have got to be seen by four or five doctors because one stupid jack doesn't know what he is looking for. You know, I really think you need to do something about the medical treatment that we get. Medicaid is becoming one of the biggest rackets and people are still suffering because they are not getting the proper treatments.

Now, I just hope that you have gotten something out of this testimony this morning. It was not meant to make any kind of personal attack on you, says Senator Byrd, since Senator Byrd thought that is what we came here for, but it was just to make you understand that being a man of your will and power, and you do have power because you are head of one of the biggest, strongest committees there is here, and the next one happens to be Wilbur Mills' committee. So you two guys control what is going on up here, along with Richard Nixon, and I am quite sure you all can take care of things better than what you are doing.

You came here to represent people; Senator Long, please do something. You might not have long in the Senate; I don't know. You might get reelected; I could care less, but while you are here would you please change your ways and start doing something to help the people?

Two thousand four hundred dollars is not enough money. You couldn't live off it yourself. Why force a family of four or five to live off it? It doesn't make sense. If you have any questions to ask us, you feel free.

The CHAIRMAN. Has everybody who cares to make a statement made it?

STATEMENT OF ELIZABETH PERRY

Mrs. PERRY. I would like to make a statement. Elizabeth Perry. I am a mother, also of 11 children. I have been following Mr. Long's statement now. He talks about welfare bums. I am a mother with 11 children; I worked and took care of my children until 1967 came with a chronic ailment, worked for the District government, cannot draw any disability because an inadequate city hospital did not keep a record. If I was shipped out of a private hospital where my benefits come out, and I wonder what you guys are talking about when you call people bums, people who work cannot even draw their money.

Mrs. SANDERS. Do you have questions?

The CHAIRMAN. Well, now, has everyone who cared to make a statement——

Mrs. SANDERS. Has everybody finished who cared to make a statement?

STATEMENT OF MRS. QUEENIE JOHNSON

Mrs. JOHNSON. Senator Long, I am Queenie Johnson, and I want you to know that people are arguing all over this country about religion and everything else because we can't eat and sleep and I think it is a disgrace. The people, the Catholic people, in my area give food checks out; they give checks contracted with the Safeway and they give this money out to non-Catholics and Catholics and anybody who comes and asks for it. I think that people, a lot of people around the city don't know this and they are attacking us left and right.

I think it is a disgrace because we don't talk about other people's religion. The Catholic people help where they can and they are will-

ing to help at all times and we raised—we asked the parish for food and what have you. I don't think people should have to go around church societies and rummage sales and all that to try to live; and as long as we get this little amount of money we are going to fight each other like animals. Is this what you're trying to put across in this country? Is this what your job calls for?

I want you to answer this because you see you people helped perpetuate a lot of foolishness out here in the street and we poor people really get the blame. We have to go through so much and if you can do anything to stop this and start helping us, you start considering this $6,500.

The CHAIRMAN. Any further statements from your group?

Mrs. SANDER. Is that it?

Mr. WILEY. Annie Ratagick.

STATEMENT OF ANNIE RATAGICK, AGE 8

Miss RATAGICK. My name is Annie Ratagick and my mother is on welfare just like all these other mothers. And I don't think FAP should pass because like if mothers don't get enough money on the jobs they are going to get and they can't pay for babysitters and all that, and something happens to one of the kids, what is going to happen then if they don't have anybody to look for to help them or anything? Like if anybody tried to burn up the house while they were in it and they didn't know who it was and they didn't know what was going to happen; and they didn't know how to get out, what would happen after that. Nobody would be there. And if someone started to fight with them and they hurt them real bad then they wouldn't have anybody to go to to get them to help them. That is why I don't think FAP should pass.

Mrs. SANDERS. Is that it?

Mr. WILEY. That is everybody who is here.

I would like to enter one statement. We submitted—we have submitted a lot of material for the record, but one of the problems is that National Welfare Rights has been allowed to testify. This is only like a token representation. It is the tip of the iceberg; there are literally millions of welfare recipients out there in 50 States, in addition to the District of Columbia. A number of State and local welfare rights organizations have asked to testify on the way in which this bill affects them in their States and have had no response from this committee and you are trying to project the idea that you are reasonably willing to hear people. This is not an adequate hearing for poor people.

To our knowledge this is the only opportunity any poor people's organization have gotten from this committee and we want to say we don't think this process is open and we don't think the process is democratic and it ought to really be opened up so that the people, so that the kids and parents who are going to be affected by this really get a real opportunity to have their story told.

The CHAIRMAN. Well, do you have more who would like to testify here now?

Mrs. SANDERS. No. He just has a short statement he wants to make.

Mr. BUTLER. The statement I wanted to make to the Senator and to

the committee will you do this, and this will be justice. Let's help the black boy, the white boy, the black girl and the white girl get off the welfare. How? By giving them justice now. Let them prepare themselves for the future and then they can get off the welfare, keep their families off welfare.

You may have a boy or you may not. But just think about it. I don't think you are as old as I, but you are getting up in ages and I don't think you are going to be up here before long. All of us are going to be gone and then who is going to inherit the world? If they sent all of these ahead of us, so we have to look at the undergrowth because we are going, we are going to get too old to do anything. But we could set back and the Bible says he chose the young man because you need the young and chose the young man because he was able and strong. So you are getting feeble and aged and I am, so we have to have somebody take your place and my place but if we kill the undergrowth before they get there, then Lord, Lord, we are in hell then.

Thank you.

Mr. WILEY. I would just like to summarize by saying that we in Welfare Rights, all poor people across this country, are opposed to this legislation; we are opposed to H.R. 1. We are opposed to this batched-up job that Senator Ribicoff is trying to do on it, which is not going to help the situation, but is going to help get us this terrible, repressive legislation. We are opposed to the segregated custodial child care that is designed not really to take care of the child but to be a way of forcing the mothers into a kind of servitude, cleaning Senator Long's shirts and President Nixon's john.

We are opposed to people being forced into this kind of servitude under this legislation.

We have talked about $6,500 guaranteed adequate income and if this Senate, if this committee were relevant to the needs of people in this country, you would not be debating H.R. 1 and Ribicoff and the Long proposals, but you would be debating how you could pass an adequate program to see to it that every child in this country has enough food and clothing and shelter to see to it that every senior citizen can have housing and food and transportation and medical care and dignity in their declining years; to see to it that every person, every person who is able to work has an opportunity to work and has an opportunity to work at a decent job with some decent pay and some decent kind of working conditions and in work that is relevant to his community and to his needs.

To see to it that there are child care facilities available 24 hours a day not only so mothers can work but so that mothers who are the sole caretakers of their children can have the freedom to participate in activities that would be beneficial to themselves and their families; so that we are talking about a welfare reform proposal that deals with the needs of people and that none of the proposals before the Congress, save those proposed by Senators Harris and McGovern, deal at all with the question of adequate income, and moving the country toward an adequate income.

I hope this committee and this Senate will show that it is relevant to the problems of the 1970's by voting down the Ribicoff and the Nixon programs and start dealing with moving toward a program

of adequate income, jobs at decent pay for everybody and real child development programs, not dumping grounds for kids.

That is the end of the testimony. We are open for questions.

The CHAIRMAN. Senator Nelson?

Senator NELSON. No questions.

Senator HANSEN. No questions.

Senator BYRD. No questions.

Senator HARRIS. I want to ask a question or two.

I want to ask you, Ann, can you get the microphone back there again? How old are you?

ANNIE RATAGICK. Eight.

Senator HARRIS. What grade are you in, the second grade?

ANNIE RATAGICK. Third.

Senator HARRIS. I guess Tony is your brother; is he?

ANNIE RATAGICK. Yes.

Senator HARRIS. How many children in your family?

ANNIE RATAGICK. Three. One older and one younger. I am in the middle. My sister is smaller and he is bigger.

Senator HARRIS. Did your mother come with you today?

ANNIE RATAGICK. No.

Senator HARRIS. Is she in the hospital?

ANNIE RATAGICK. She is in the hospital.

Senator HARRIS. Who takes care of you now?

ANNIE RATAGICK. Her friend. Lives next door or nearby. She lives somewhere down near St. Stephen's Church.

Senator HARRIS. I want to ask Ed—you are 14?

EDWARD BUTLER. Yes.

Senator HARRIS. What grade are you in? Are you in school?

EDWARD BUTLER. Yes.

Senator HARRIS. What grade are you in?

EDWARD BUTLER. Eighth.

Senator HARRIS. Eighth? What about clothes? When a fellow gets to be about your age, girls about your age, clothes get kind of expensive don't they?

EDWARD BUTLER. Most of my clothes have been given to me, but most of the children, that is not on welfare, they can go buy their clothes and they can get properly dressed but if this FAP bill doesn't go through, I probably can get proper dressings like other children. But now I need boots, but if FAP bill goes through I don't think I can get boots.

Senator HARRIS. What about the boots; are you not able to buy them?

EDWARD BUTLER. Yes.

Senator HARRIS. Is there no way you can get them?

EDWARD BUTLER. That's right; no money.

Senator HARRIS. How many people in your family, Ed?

EDWARD BUTLER. Four. Mother sick and father blind and a sister, she is in school now.

Senator HARRIS. Do you know what the check is that you get now? How much it amounts to a month?

EDWARD BUTLER. No.

Mr. BUTLER. Yes; but I would like to make this statement. By the time I pay $110 a month rent, $54 food staples and $34 for utilities you see where I am at, and I have about $3 or $4.

Mr. WILEY. A family of four in the District gets about $2,856 from welfare and $480 in food stamps, so it is $3,336; that potentially would be cut to $2,400 under this H.R. 1 for this family assistance, so-called family assistance plan.

Senator HARRIS. Have any of you been in to see a dentist recently? How many of you? Ed, how recently have you been to a dentist?

EDWARD BUTLER. About January, December 1st.

Senator HARRIS. What about you, when were you at the dentist?

TIMOTHY JOHNSON. Last summer.

Mrs. SANDERS. Senator Harris, I would like to say one thing, you know that medicaid has—the cut of medicaid has affected New York. I want you to know that my three kids have been going to the dentist for the last 3 months; the twins are 14 and the baby is 8. The 8-year-old child has to lose a tooth a permanent tooth, because there is a nerve, exposed nerve, in her mouth and her tooth and in order to save that tooth I have to pay $175 for it. Medicaid would not cover it.

Now, do you think it is fair for an 8-year-old child to lose a permanent tooth?

Senator HARRIS. No; I don't think it is fair.

Mrs. SANDERS. But isn't there something—don't you think something should be done about the medicaid bill in order for that child's tooth to be saved? I don't know where I am going to get that $175 but I am not going to let my child lose her tooth which means out of that $154 I get every 2 weeks $101 goes to rent, and the rest of it has to go for food, clothing and whatever. The personal things that has to be worn so it means out of that I have to take $10 every 2 weeks and pay for that tooth. Now I have got to pay for that tooth to keep that 8-year-old child from walking around the rest of her life with the permanent tooth being extracted, $175, and the dentist says this is how much it is going to cost me. But medicaid won't do one thing about it. And there are other children who has to go through the same problem in New York, and Rockefeller is trying to force us to clean some doggone pee-cry. He has got a nerve.

Mrs. BARNES. I would just like to say I have five children—I have five children who never have been inside a dentist's office. These children have problems with the teeth; they never have been to a dentist. They need to go to an eye doctor—car fare when I sent them to high school, they can go on school tickets but I can't ride D.C. Transit on school tickets; so therefore she has to go to an eye doctor; she hasn't been.

Senator HARRIS. Tell me your name, again.

JANET KELLEY. Janet Kelley.

Senator HARRIS. How many in your family, Janet?

JANET KELLEY. Eleven.

Senator HARRIS. Eleven?

JANET KELLEY. In the family. In the house now are six.

Senator HARRIS. There are six in the home now?

JANET KELLEY. Yes.

Senator HARRIS. How old are you, Janet?

JANET KELLEY. Twelve.

Senator HARRIS. What grade are you in?

JANET KELLEY. Sixth.

Senator HARRIS. What about clothes? Do you have trouble getting clothes? Where do they come from?

JANET KELLEY. Yes; I stay out of school most every day for clothes and shoes. My feet is wet now because I don't got no boots. I don't have boots.

Senator HARRIS. I thank you all very much. I think there ought to be some kind of an oath required of people, saying, "I promise I won't criticize welfare recipients until I have visited at least three in their homes." I would like to see something like that.

MRS. BARNES. I would like to say one thing, Congressman Fraser and Mr. Reuss lives down my way. They have been down our way and a number of other people—the head of St. Dominick Church, so you see I live in Southwest. There are a lot of Congressmen down there; they do come in our home and Mrs. Margaret Reuss has taught two of my kids; she does know our problems, so there are people who do visit, but none of these people sitting up here.

Senator HARRIS. I wish somehow this committee could go around the country——

MRS. SANDERS. And I would like to invite Senator Long in my home, really; I would like to invite you to New York, Senator.

The CHAIRMAN. I have done more than visit welfare homes; I provided welfare people with homes, at least what I had to provide, so I think I understand a little about it.

Senator HARRIS. Could I just say another thing, too?

I think it is a good thing to call attention to the plight of children. There ought to be some kind of children's bill of rights in this country. If a man like Senator Robert Taft, more than 30 years ago, could say that every child in America has a right to some decent standard of life, I would think all these years later we could begin to try to make that real. I just want to say to these little kids who have come, nearly everybody who has appeared before our committee has had prepared statements, and some of you have. But none of you have been more eloquent than when you have told us in your own words what welfare is like. Maybe you will make it a little better for other kids like yourselves.

MRS. SANDERS. Thank you.

Senator ANDERSON. I can't talk, but I can say to you that I wish you would become better acquainted with some of the people who are here. There are some——

MRS. SANDERS. We can't hear you, Senator. Could you speak in the mike?

Senator ANDERSON. I just am trying to say I think it is too bad that some assertions are made about certain people here. There are some very fine men in this group, and I have associated myself with them for a long time; but these people are fine, and I think if you presented that attitude, it might be helpful. I spent a lot of time in the relief administration, and they were fairly happy with people trying to help them. It is a fine group.

The CHAIRMAN. Senator Jordan?

Senator JORDAN. No questions.

The CHAIRMAN. I would like to ask Mr. Wiley a question or two.

Would you mind telling us, Mr. Wiley, just what is your proposal?

Mr. WILEY. We propose that every person in the United States be guaranteed the right to live. I don't think in the 20th century America you can live without the money necessary to provide for the basic necessities of food, clothing, transportation, and the basic medical care that families need.

Now, Government surveys have been taken. The Bureau of Labor Statistics has surveyed actual costs of living in various parts of the country, and the $6,500 figure for a family of four is what those surveys showed it actually takes to provide an adequate diet for a family of four, what it takes to provide decent housing, the right kind of clothing, the incidentals of medical care like aspirin, and the kinds of things you buy in the drugstore—our program would require some kind of health insurance program to supplement it. It assumes free health insurance, and it suggests that there be a floor under income for everybody, and that poor people got be segregated into categories, mothers separated from fathers, old people separated from young people, disabled people separated from other people; but that everybody who does not have that money be supplemented.

Now, we are in favor of people getting money through work or through—from other sources, if that is possible. But where the system breaks down, for whatever reason, we think that there is an obligation and a requirement that the Government pick up this basic adequate income. That is what it means to have a floor under income at an adequate level, and that is basically what we are asking for.

The cost of such a program, I might say, is about $20 billion, only about $20 billion, to bring people, to bring everybody in the country up to the $6,500 level; and it would cost an additional $30 billion or so in order to have supplementation so that there would be a work incentive; that is to say, so that people who work would get more money than those people who don't. As long as we have the Protestant ethic in this country, then you have to spend an additional $30 billion in order to make this kind of program work, so that it is $20 billion to the poor people, $30 billion to have a work incentive for a total of around $50 billion for our program. It is a small amount, it seems to me, to totally eliminate poverty and have a situation where everybody can have the basic necessities.

The CHAIRMAN. Now, suppose a family of four, one of these people in the family goes to work and earns $8,000 on an annual basis, how would you relate that $8,000 to the $6,500 that you would have the Government pay them if they are not earning?

Mr. WILEY. Under our program, a family that works and earns, say, $8,000, would have a portion of that income exempt from consideration in figuring the grant.

First of all, we would exempt any expenses related to child care, any expenses directly related to working, to the person going to work, such as transportation, lunch money, work clothes, and such things would be exempted. We would then, after you had gotten down to his net income, we would say that one-third of that income should be considered in computing the grant; so, in other words, he would be allowed to keep one-third of his income. If it was—if we assume, for example,

he had $8,000, and let's assume there were $2,000 a year in taxes and in other work-related expenses so he came with a net of $6,000, had a take-home of $6,000, one-third would be exempt, right? That is, $2,000 would be exempt. Therefore, $4,000 would be subtracted from $6,500, and that person then would get a supplementation of $1,500. So a family with that $8,000 income would get another $1,500 in addition under our program, and that is the way that you always keep people who work a step ahead of people who don't work. It is a thing that ought to be understood, that we have been in favor of working people getting that kind of supplementation.

You can also under our program, you can work out that system where that person does not have to get a welfare check, if you want to call it a welfare check, does not have to get it in the mail. They can take it as tax relief. We would agree with the Senator before us that working people are taxed too much, particularly people in the low-income brackets, and we would say that that person could fill out a tax return and simply get that money returned to him through the form of taxes, so it wouldn't necessarily affect people's dignity in that way.

The CHAIRMAN. Do you have some printed material that spells out in further detail what your group recommends and how you suggest that it be implemented?

Mr. WILEY. Yes, we have submitted testimony for the record. We can—we have submitted it many times before; we will resubmit a copy of our actual proposal. I would like to also enter for the record two additional documents. There is an excellent analysis done by the National Council of Churches which compares in detail four major proposals set forth: H.R. 1, the Ribicoff proposal, Senator Harris' bill and Senator McGovern's bill, which embodies the $6,500 concept and it sets those out in detail. If you would want to put that into the record, as well as a chart which we have which shows the comparison of how inadequate present welfare grants are, and how much less people could get if H.R. 1 were to pass, I would like to have those two things inserted in the record.

The CHAIRMAN. That will be done, but I would like to ask that you make available to us as much printed material as you can, which would indicate what your program is and how you think it should be administered.

I think the record should show that and it should be considered.

Those are all the questions I have.

Mr. WILEY. I would be very happy to do that.

The CHAIRMAN. Thank you very much.

(The prepared statement and attachments of Mr. Wiley follows. Hearing continues on page 2120.)

PREPARED STATEMENT OF GEORGE A. WILEY, EXECUTIVE DIRECTOR, NATIONAL WELFARE RIGHTS ORGANIZATION

We come today to speak to the Committee, to the Congress, and to the American people on behalf of 25½ million of our fellow Americans who, at this moment, are living in the depths of poverty in the richest nation in the history of the world.

Welfare reform and hunger in America are inseparable terms. Yet, when we hear the words, we somehow form different impressions.

All of us here today know that hunger and poverty in America can only be solved by national legislation. All of us realize that the war on poverty, which began in the mid-sixties with the awareness of the "other America," is nearing a crucial turning point.

The National Welfare Rights Organization, together with concerned citizens throughout America, strongly believes that welfare reform is urgently needed now to help eliminate the suffering and unfulfilled lives of Americans who are poor through no fault of their own.

But we believe in true welfare reform.

The bill before you now, Title IV of H.R. 1, is not reform at all, but a sad step backwards into the early sixties.

Title IV of H.R. 1 would wipe out the hard-won and legally-earned gains of the past several years. It is so inadequate and inequitable that it will prove harmful to the majority of the needy children and families it is supposedly designed to help.

H.R. 1, in short, is a fraud and should be defeated. It is mistaken in its premises and coldly coercive in its provisions. It would be worse for the poor than the present welfare system.

H.R. 1 is predicated on a false premise: that people are poor and need assistance because of personal failures and/or anti-social behavior; and that the remedy to the "welfare problem" is to control poor people and coerce them into "acceptable" behavior.

H.R. 1 clearly does not meet the basic principles of true welfare reform:

1. Adequate income to all in need.
2. Simple administration.
3. Positive work incentives.
4. Respect for the freedom of individuals to manage their own lives, to choose their own careers, and to participate in meeting personal and community needs.
5. Protection of rights and individual liberty.
6. Protection of human dignity and family life.

H.R. 1 continues the divisiveness of the present system by sorting people into categories—the "deserving" and the "undeserving." It provides no benefits for single persons, childless couples, or pregnant women with no other child.

Its $2400 annual income level is clearly inadequate, and is below current levels in 45 states. H.R. 1 does not require state supplementation, as did earlier versions. Up to 90% of present recipients could receive less than they do now.

It provides very little in the way of the "carrot" for incentive, but much in the way of the "stick." Many people would receive less by working than they would by not working. H.R. 1 proposes to create 200,000 jobs, when 5 million Americans are unemployed. Its requirement that people work for 3/4 of the minimum wage would depress wages throughout our nation. Its condition that mothers with children 3 or over must work, regardless of suitable child care facilities, is destructive to family life and psychologically damaging to children.

But H.R. 1's most serious flaw lies in its denial of basic fundamental liberties. It would create an army of investigators, at no small cost to the American taxpayer, to track down and follow the social and financial activities of any person who happened to find himself or herself on welfare.

It directly contradicts several recent Supreme Court decisions, by specifically allowing state residency requirements, "man-in-the-house" rules, and denying full judicial review.

If H.R. 1 is passed, the movement for true welfare reform will be dead for years to come. The small victories that began with the march on Washington, continued thru the Civil Rights movement, touched a nation's conscience with CBS' "Hunger in America," and flourished thru the dedicated efforts of concerned Americans on all levels in all parts of the country . . . would be abolished the moment the President's pen signed H.R. 1 into law.

For these and countless other reasons which we will detail, H.R. 1 must be defeated.

THE CHILDREN

While we debate and quarrel over how best to reform the welfare system, let us not forget that, of America's 25½ million poor, 43 per cent are children.

Perhaps the frustration of all America can be best expressed in the words of U.S. Army Captain Terrence Coggin, on special assignment to the White House staff when he said:

"I was stunned. We drove in a White House limousine to an airport, going on a plane that was air-conditioned, in tremendous luxury, landing in Mississippi, Missouri, or California, and going off in a car to a shack where children, in my opinion, were literally dying . . . their minds were dying. It is something that I will never forget. It is just incredible to me. You come back to Washington and you try to explain this to somebody else and you say, 'You must do something about it.' They say, 'We don't know where we are going to get the money.' I say, 'Yes, but people are dying out there. Children are being condemned to wasted lives.'"

H.R. 1, tragically, would not help the majority of these children. In many cases, it would worsen their situation.

H.R. 1 has eliminated the essential provision that the states must maintain current benefit levels. Without state supplementation, up to 90% of present welfare families and children would receive less than the meager benefits they are receiving today.

The $2400 minimum income floor which H.R. 1 proposes is hardly adequate for a family of four. It is only $46 a week. The ones who will suffer the most are the ones who we say we are trying to help—the children.

We have learned during the last few years of the terrible and devastating effects of hunger and poverty on our children.

In state after state, millions of children are hungry and malnourished, almost hidden from view.

In California, whose Governor spoke to the Committee yesterday on the need for "workfare" instead of welfare, hunger and malnutrition can be found in more than one-third of the 1¼ million children of low-income families. These children have been neglected at their most critical growing period, from the time of conception until they are ready to enter school. How is "workfare" going to help them?

Witness after witness before a myriad of committees and commissions have documented the paradox of poverty amid plenty:

Question. "Do you have any food in the house now?"

Answer. "No sir, I haven't got anything."

Question. "What do you tell your children when they come home and there is no food?"

Answer. "That we haven't got anything to eat and they just have to lay down like that until the next day and see if we can find something to eat."

Question. "And that's it?"

Answer. "Yes, sir. They just come in and drink some water and go to bed."

"The poor in America," according to Dr. James Carter of Vanderbilt University, "are probably less well fed than livestock."

In Los Angeles, out of more than 1600 cases in the program for protective services for children, 35% didn't have food, clothes or shelter. In the pre-school compensatory education program, designed for disadvantaged children between 3 and 5 years old, around 500, or 8% of the total 6000 served, suffered from gross nutritional neglect. Seven were suffering from advanced stages of rickets.

In the state of North Carolina, over 40% of the preschool children have inadequate diets.

Poverty means ill-fed pregnant women, which means ill-fed fetuses in their wombs, fetuses that fail to synthesize proteins and brain cells at normal rates. This means a high rate of mortality of these infants, and appallingly high rates of prematurity, mental retardation and intellectual compromise in the survivors. It means further lack of brain growth because of ill-feeding in the crucial years of early childhood. Millions of young Americans have permanently stunted brains.

It is not surprising that the United States ranks 13th in the world in infant mortality and at least that low in maternal mortality.

In the Bluffton area of Beaufort, South Carolina, 73% of 131 pre-school black children had either roundworms or whipworms or both.

In the Chicano community of East Los Angeles, the chance that your wife would die while giving birth to your son is 300% higher than in other parts of

Los Angeles County; that your baby would develop and die from diarrhea, 29 times greater; that your home would be plagued by diseases carried by flies, cockroaches, mice, dry fungus, 100% more likely; even diseases commonly considered eliminated or under control, such as polio, 25% more frequent. Tuberculosis occurs twice as often. Diabetes, scarcely noticed in other areas, is one of the ten leading killers in this barrio.

True welfare reform demands that we take care of these children. Not to do so is to dehumanize ourselves, as well as the children.

H.R. 1 positively denies any aid to pregnant women with no other children. What is the unborn child in the womb of that mother to do? H.R. 1 would help to create another generation of children who are physically-stunted and mentally-damaged before they are even born into the world.

A survey of poverty by the Public Health Service was locked up until Dr. Arnold Schaefer, the Project Director, resigned to go with another firm, and released these figures to South Carolina Senator Ernest Hollings:

(1) One-third of pre-school children in rural slums and urban ghettoes have suffered from growth retardation.

(2) From 9% to 42% of those sampled had "unacceptable" levels of hemoglobin. This is an index of anemia, which is caused by iron deficiency and which results in weakness and fatigue.

(3) Wrist bone examinations in Texas revealed a 30% retardation rate among Mexican-American children. In New York there was a 15% delay in growth.

(4) Among white male children under 2 in Michigan, the retardation rate was 18%, or 4.3 months for a 2-year old child.

(5) 15 million Americans are hungry and malnourished. 40% of the poor have serious medical problems because of malnutrition.

A school nurse in Orange County, probably the most affluent county in California, says that "at a number of elementary schools, some children faint or sag in s eep from lack of proper food. They are sent to school on a breakfast of coffee and potatoes because that's all their parents can afford."

Dr. Malcolm Holliday, professor of pediatrics at the University of California, warns: "The first year is a period of rapid brain growth. If the brain is impaired then, the lifelong result is poor mental performance."

When we talk of welfare reform, the image that has been created for us often prevents us from seeing the desperate plight of these children . . . children who suffer painful, chronic hunger . . . children who are deprived of medical care for curable diseases or crippling malformities . . . children who face a future of deprivation which virtually guarantees a lifetime of ignorance, hardship and humiliation.

Present welfare diets are substandard almost by definition. Yet H.R. 1 proposes to lower benefits to potentially millions of needy children, simply because it is afraid a few of their parents will try to chisel us out of a few nickels and dimes. Is this "welfare reform"?

Moreover, mothers of children three or over would be required to accept work or training if they wished assistance for their children. Under current law, only those deemed "appropriate" for work are required to register. Rules vary widely from state to state. Even under the new law passed before Christmas, 1971, and due to be put into effect July 1, 1972, only mothers with children six or over are required to register.

Uner H.R. 1, hundreds of thousands of young children would be separated from their mothers and forced into inadequate child care situations if their mothers are to be eligible for benefits. The provisions for child care under Title IV, and the limited funding estimated for it, guarantee that only low quality care can be delivered. Despite the fact that the Committee Report of the House Ways and Means members recommends "quality child care," the Report states clearly that "the lack of child care of that level would not be good cause for failure to take training," as it is under current law.

H.R. 1 proposes $750 million in funding for child care facilities. The Ribicoff amendments would provide $1.6 billion, more than twice as much, and would not require mothers with children under 6 to work.

H.R. 1's provisions are clearly inadequate. It falls far short of the $2.0 billion child care bill recently passed by Congress, but mysteriously vetoed by the President.

We are in total agreement with the Child Welfare League of America, which states:

"Although we believe strongly in the provision of sufficient good quality developmental day care for those children whose mothers wish to participate in work and training programs, we are totally opposed to the wholesale delivery of children into inadequate day care in order to require that their mothers train or work in order to qualify for welfare benefits. The League believes that such a program would prove disastrous. All knowledge and research about child development indicates that poor child care programs for young children are destructive to the child's well-being and healthy development. We believe these programs would be not only psychologically damaging to the child and family, but economically unsound as well. The costs of training and day care are likely to be even greater than the cost of maintaining the child at home. We believe that mothers of children should be included in work and training programs on a voluntary basis and that children should be provided with adequate and appropriate child care which will contribute to their healthy development."

The devastating effects that H.R. 1 would have on children is further emphasized in the demeaning requirement that mothers and fathers must accept $1.20 an hour—¾ of the minimum wage—if so assigned. Often a mother's child care and other work expenses will eat up these meager earnings to the extent that the children will have less food on the table than if the mother was not working at all.

If a mother refused such a job, arguing that it was more important to stay home with her child, she would be cut off welfare, and the remaining money for her child would be paid, not to the mother or to anyone within the family, but to an administrator outside the family.

In short, a mother with a 3-year old child can be required to work for $1.20 an hour at whatever job is available, even if only low-quality day-care exists for her child, and may even be forced to pay the entire cost of the inadequate day-care. This cost, plus her work expenses, could easily wipe out her entire earnings, and could even result in less income than if she didn't work. It would be the strongest kind of disincentive to work. Yet, if she refused, she would be cut off welfare, and any payments for her child would be paid to an administrator outside the family.

And so the grinding-cycling-crippling poverty, known only too well to the adults of today who were the deprived children of yesterday, would continue on into future generations if H.R. 1 is enacted.

We believe that it is unnecessary to require mothers to work; that many more mothers want to work than there are jobs for anyway.

The question becomes: what is useful work? Is the work of a mother raising her children just as important as the work she might do in an office, as a waitress, on an assembly line, or as a domestic? We believe it is.

We include in the record at this time an accurate portrayal of the effect H.R. 1 would have upon our children, as reported in the New York Times, January 31, 1972:

[From the New York Times, Jan. 31, 1972]

THE PRESIDENT AND THE CHILDREN

(By Urie Bronfenbrenner and Jerome Bruner)

Two weeks before Christmas, the President vetoed the Child Development Act of 1971. In doing so, he stated: "Neither the immediate need nor the desirability of a national child development program of this character has been demonstrated." The needs of the nation's children, the President proclaimed, would be adequately met by his own proposed legislation H.R. 1.

As specialists concerned with the care and development of the young, we must take strong issue with the President on both counts. The President asserts that unlike the vetoed legislation his own bill will "bring the family together." But if we examine the provisions of H.R. 1 it becomes clear that it is far more likely to break the family apart. Thus, the President himself speaks of the bill as "my workfare legislation to enable mothers, particularly those at the lowest income levels, to take full-time jobs." In effect, the bill forces mothers, especially single mothers, to register for full-time work or job training, or else be stricken from the welfare rolls.

Such provisions can only increase the pressure on poor and near-poor families to deliver their young into compulsory day care. In point of fact, this is a "put-them-to-work-bill," not a child development bill.

Unlike the legislation vetoed by the President, H.R. 1 does not give the mother freedom of choice. Nor is there adequate assurance of standards for quality child care services. Surely, such a prospect raises the spectre conjured up in Secretary Richardson's ill-considered words of condemnation for the vetoed Child Development Act of 1971, when he speaks of "shoddy, second-rate baby bins in which children were stored away, neglected or abused." H.R. 1, moreover, makes no provision at all for children of the millions of working families who are just above poverty line ($4,000 to $7,000 income for a family of four). Finally, with apparently only $360,000,000 in new money allocated in the first year for child care services in the Administration's bill, the number of additional children who can be served is only about 5 per cent of those in actual need.

Given these woefully inadequate and destructive features of the Administration's bill, it is painful to recall the hope-giving words of the President less than two years ago, when he proclaimed "a national commitment to providing all American children an opportunity for healthful and stimulating development during the first five years of life."

At a time when we should already be seeing fruits of this commitment reflected in the lives of the nation's children and their families, we are told that there is "neither immediate need nor the desirability of a national child development program." Such a statement seems to us incomprehensive in the light of the available facts. Here are some of them:

In 1971, 43 per cent of the nation's mothers worked outside the home. In 1948 the figure was only 18 per cent. One in every three mothers with children under six is working today. In 1948 the figure was one in eight. There were more than 4.5 million mothers with children under six who were in the labor force last year.

In 1971, of all mothers of children under six, 10 per cent—1.3 million of them—were single parents bringing up children without a husband. Half of these mothers also held down a job.

Mothers in poor and near-poor families are much more likely to be gainfully employed, partly because so many of them are heads of families. Among families in poverty, 45 per cent of all children under six were living in female-headed households; in nonpoverty families the figure was only 3.5 per cent. In two-parent families where the husband earned $10,000 or over, only 20 per cent of the mothers worked; where the husband earned less than $7,000, 35 percent of the mothers worked. These women work because they have to.

There are nearly six million preschool children whose mothers are in the labor force. Of these, one million live in families below the poverty line (e.g. income below $4,000 for a family of four). An additional one million children of working mothers live in near poverty (income between $4,000 and $7,000 for a family of four). All of these children would have to be on welfare if the mother did not work. Finally, there are about 2.5 million children under six whose mothers do not work, but where family income is below the poverty level without counting the many thousands of children in families above the poverty line who are in need of child care services, this makes a total of about 4.5 million children under six whose families need some help if normal family life is to be sustained.

In closing, we can only repeat the first and principal recommendation of the President's own White House Conference on Children a year ago. By an overwhelming vote, the delegates recommended that "the Federal Government fund comprehensive child care programs, which will be family centered, locally controlled, and universally available, with initial priority to those whose needs are greatest. These programs should have sufficient variety to insure that families can select the options most appropriate to their needs. A major educational program should also be provided to inform the public about the elements essential for quality in child care services, about the inadequacies of custodial care, and the importance of child care services as a supplement, not a substitute, for the family as the primary agent for the child's development as a human being."

If the President will not act to meet this need of the nation's children and their parents, the people and their elected representatives must do so.

NOTE.—Urie Bronfenbrenner is professor of human development and family studies, and psychology at Cornell University; Jerome Bruner is professor of psychology at Harvard.

We also include in the record a statement from our newspaper, "The Welfare Fighter," regarding the President's veto of the child care bill.

NIXON'S VETO OF CHILD CARE BILL

President Nixon vetoed the Child Development Act, which would have made day care facilities accessible to both poor and middle class families, for three politically expedient reasons: (1) men do not stay home with children; (2) it will enhance his position with party conservatives; (3) if passed the bill would have decreased the possibility of his infamous welfare legislation (HR 1) from passing the Senate.

If men had to stay home with children; if their careers, ambitions, golf matches, stock market roulette games were eliminated, or in fact mildly restricted, because they had to stay home with the kiddies, day care facilities would be as common in this nation as, forgive the analogy, apple pie. There would be no question about "Russianizing" the family system in America, or about what people were going to do with they money they earned.

But women, whose places are in the home having babies, cooking meals, and rearing children according to the honorable men who run this nation, are to benefit from the increased liberty that federally financed child care would bring and they of course are not an important enough political force in this nation to merit such dramatic attention by the government.

This is typical of government action regarding most issues concerning women. Household workers (domestics) for example, are nearly exclusively women and predominately black. They have been attempting for years to have the industry placed under federal minimum wage laws but have received virtually no response from the federal government. They are black, one strike again them, and they are women, two strikes. If they were white men the government would have acted years ago, in fact, most of the few white men who do clean other peoples' homes work for cleaning agencies and are protected by unions and state minimum wage laws.

Even though the child care legislation was backed by virtually every women's organization in the country—from the League of Women Voters to the National Women's Organization and NWRO—the President did not consider his veto of the bill a political hazard. Create a similar situation and have ½ the number of male-controlled organizations backing legislation and the President would be grinning on television as he signed the bill and called it "historic".

Alienating nearly all women's organizations (women comprise 51% of the registered voters) with the 1972 election so close demonstrates that the President and the Congress, because of their failure to override his veto, consider women a marginal political force; or maybe the President thinks he can reverse his anti-women image by using expensive sexy T.V. campaign advertising during the election.

There were some clear political advantages to the President's veto of the child care bill, that he concluded were more important than the opposition he would receive from women's groups in the upcoming election year. The Washington

Post reported December 9, 1971, the day of the veto, that Rep. John M. Ashbrook (R-Ohio), whom dissatisfied conservatives have asked to run against Mr. Nixon for the presidency next year, said a veto would be "a signal that a lot of people (conservatives) have been looking for."

"If he does veto it, it will help him a little," the Post quoted Ashbrook as saying, "If he doesn't it will hurt him a lot."

The President has been in disfavor with the conservative wing of the Republican party because of his friendly gestures toward Red China and the Soviet Union as well as what it considers his liberal policies on the economy. It is obvious that the veto was throwing a bone to next year's potential opposition.

Obviously appeasing the right wing, the President said the child care bill was "the most radical piece of legislation" to come out of this Congress and that it would create "a new army of bureaucrats". But the President did not point out the similarities and differences between the inadequate day care provisions in his "welfare reform" bill and the "Radical" day care provisions in the Development Act that he says would "destroy the family unit". The President's day care scheme, while providing fewer and lower quality day care facilities, will literally force women on welfare to place their children over age 3 into day care centers and accept menial jobs.

President Nixon was also aware that the passage of the child care legislation would take some of the fire out of H.R. 1, his Welfare Reform Bill, that NWRO and other social welfare oriented organizations are opposing.

The veto of this child care bill, the President hopes, will gain him conservative support for the ultimate confrontation over the inadequate welfare bill.

The President made a conscious calculated decision in vetoing the Child Development Act. If Congress yields to him, as it has done during the last few months—giving him tax reform, Butz, and Rehnquist—he may have pulled off a notorious feat.

One little-considered, but potentially devastating effect of H.R. 1 on children stems from the administrative bureaucracy of the plan.

H.R. 1 would divide families into two programs:

1. FAP—Family Assistance Plan—for families in which no one was physically able to work.

2. OFF—Opportunities for Families—in which at least one member could work.

Families would switch back and forth as their situations changed, necessitating frequent benefit redeterminations. Delayed and missed payments would surely result.

A pregnant mother, for example, would register under OFF and be required to work. On the day she gave birth, she would be switched to the FAP program. Exactly three years later, when her child turned 3, she would be switched back to the OFF program.

The ones who would suffer the most under such a Kafka-esque administration would be the children.

Other welfare reform bills have been submitted before this Congress, notably S. 2747, sponsored by Senator Fred Harris, and S. 2372, sponsored by Senator George McGovern, which would remove the onerous provisions of H.R. 1. Both of these reform bills provide substantially higher benefit levels than H.R. 1. Neither bill requires mothers with children under 18 to work in jobs that may not be available anyway.

We must realize that we are not going to solve the national disgrace of hungry children in America by repressive measures against their parents.

We cannot have it both ways.

We can either "get tough," as a lot of politicians sloganeers, which means, like it or not, that we'll let children go hungry if their parents won't fall in line.

Or we can rekindle the American spirit of compassion for one another, and especially of compassion for our children, by providing them with the food and the basic necessities of life they need to grow to be self-supporting, responsible, productive citizens.

If a few of their parents manage to chisel a few nickels and dimes from us along the way, it will be a small price to pay for a new generation of healthy, alert and capable American children.

WHAT IS TRUE WELFARE REFORM?

The President has called H.R. 1 "the single most significant piece of legislation to be considered by the Congress in decades."

We agree. But precisely because it *is* so significant, we strongly believe that no bill at all would be better than H.R. 1. It would mean a sad plunge for many into the lower depths of even greater poverty.

H.R. 1 is not welfare reform. It is a giant step backwards in the history of American social legislation. Because it is such a complex and intricate issue, and because people are still going hungry in America, and because that is just plain wrong and intolerable in a nation as rich as ours, we will try, in the next several pages, to bring a bit of clarity to one of the most significant pieces of legislation of our time.

We will ask, "What is true welfare reform?" Then we will look at the four major welfare reform plans waiting for action by Congress now, and see which one, if any, meets the principles of true reform.

The four plans are:

1. H.R. 1—also known as the President's "Family Assistance Plan."
2. Senator Abraham Ribicoff's "Amendments" to H.R. 1.
3. Senator Fred Harris' S. 2747.
4. Senator George McGovern's S. 2372.

We will also look at the current welfare system. Most people assume that *any* reform must be an improvement. But this is not necessarily true. Prohibition was once hailed as an "historic" reform.

It is generally agreed that true welfare reform should meet the following basic principles.

It should:

1. Provide income through a simple administrative mechanism.
2. Provide an adequate income floor to every person who needs it.
3. Provide incentive to productive activity.
4. Respect the freedom of individuals to manage their own lives, increase their power to choose their own careers, and enable them to participate in meeting personal and community needs.
5. Provide a just system that protects the rights of individuals, and provides reasonable opportunities to redress grievances within the system.
6. Provide income in a way that is neither degrading to human dignity, nor destructive of family life.

I. Does the plan provide income through a simple administrative mechanism?

Current system	Yes
H.R. 1	No
Ribicoff	No
Harris	Yes
McGovern	Yes

True welfare reform demands simple, streamlined administration. It must be neither bureaucratic nor dehumanizing. Regulations must be visible, accessible and simple to understand.

All four reform plans provide for a national uniform standard of eligibility and benefits. But H.R. 1 and the Ribicoff plan perpetuate the "categorical approach" which is at the heart of the inequities of the current system.

The Aged, Blind and Disabled are divided into one category. Then, to replace the one confusing family program that now exists (AFDC), Title 4 of H.R. 1 and Ribicoff would establish TWO new programs:

1. FAP—Family Assistance Plan—for families in which no one is physically able to work.
2. OFF—Opportunities for Families—for families in which at least one adult is physically able to work.

FAP would be run by the Department of Health, Education, and Welfare. OFF would be run by the Department of Labor. Families would criss-cross back and forth as their situations changed. Redeterminations of eligibility and benefit levels would likely be frequent. Delayed or missed payments would surely result.

Both the Harris and McGovern bills provide for simple administration with low costs for the American taxpayer. Both erect a single category which would cover all persons in need in all parts of the country.

Only these two reform plans meet the first principle of true welfare reform.

II

	AFDC	H.R. 1	Ribicoff	Harris	McGovern
Does the plan provide an adequate income floor to every person who needs it?	No	No	No	No	Yes.
What is the minimum annual income floor (for a family of 4)? Varies	$1.920 to $4,788.	$2,400	$3,000	$4,000	$6,500.
How much is that per week?	$37 to $92	$46	$58	$77	$125.
Is there a cost-of-living provision?	No	No	Yes	Yes	Yes.
To what level?			Poverty level by 1976.	$6,500 by 1976	Adjusted to U.S. median income.
Are benefits available to the "working poor?"	No	Yes	Yes	Yes	Yes.
Are States required to maintain current benefit levels through supplemental payments?	No	No	Yes	Yes	Yes.
What percent of recipients will lose benefits without State supplementation		93	70	27	0.
How much does the Federal Government provide in matching funds to encourage State supplementation?	50	0	30	0	0.
Are benefits available to all of the truly needy?	No	No	Yes	Yes	Yes.
Are benefits to be based on current need	Yes	No	Yes	Yes	Yes.

Adequate income means providing people with money to meet the basic necessities of life such as food, clothing, housing, health care, transportation and recreation. It is unquestionably the key essential to true welfare reform.

H.R. 1's proposed benefit level of $2400 for a family of four does not provide an adequate income for the majority of needy families. Since there is no requirement or incentive for states to supplement the federal payments even up to present AFDC levels, the benefits for most families are likely to fall below current levels. Nor are there any provisions to increase these minimums, even up to the proverty level.

Without state supplements, 93% of families on welfare today will lose benefits. $2400 a year is above present benefit levels (including food stamps) in only five states: Alabama, Arkansas, Louisiana, Mississippi and South Carolina. H.R. 1 supporters rightly point out that $2400 is above the *cash* benefit level in 22 states. But this ignores the current bonus value of food stamps, which have grown to where they now account for nearly 20% of total welfare benefits.

Although, under H.R. 1, not all states are expected to cut out all payments immediately, the current rash of benefit reductions indicates this may be the inevitable result.

The Ribicoff plan ($3000) and the Harris plan ($4000) also fail to meet this urgent test of true reform. $58 a week, or even $77 a week does not provide for proper nutrition and the basic necessities of life for a family of four. The Harris plan would rise to the "low-standard-of-living" index by 1976 or before.

Only the McGovern plan begins at an adequate level of $6500 a year for a family of four. This is the figure that the Bureau of Labor Statistics defines as a "low-but-adequate" standard of living. Most people feel it is too high. Yet, it is only $125 a week for four people. It is not extravagant. It is simply adequate. Anything less is a compromise to true reform.

The President's Commission on Income Maintenance Programs reported:

"Technically, an income at the poverty level should enable families to purchase the bare necessities of life. Yet an itemized budget drawn at that level clearly falls short of adequacy. There are many items for which no money is budgeted, although these items may be needed. Funds for them can only come out of sums already alloted to the basic necessities of life."

ARBITRARY MAXIMUM PAYMENT

H.R. 1 provides for a maximum federal payment of $3600 to families of 8. Families larger than 8 will get no additional assistance. This discriminates against a newly-born child. None of the other reform plans contain this arbitrary cutoff.

There is no reason why a public assistance program should impose such a restriction. Every child has needs—whether he is the first child in the family or the ninth.

Another reason why the National Welfare Rights Organization is opposed to H.R. 1 lies in the following little-publicized but alarming Government cost projections:

	Current AFDC costs	H.R. 1, if all States supplement 100 percent	H.R. 1, if no State supplements
Federal benefits	$3.0	$5.5	$5.5
State supplements	2.7	3.1	0
Food stamps	[1] 1.3	0	0
Total benefits	7.0	8.6	5.5

[1] Total annual food stamp costs (bonus value) are $2,300,000,000 for all categories: AFDC, old age, disabled, etc. There is no official breakdown for AFDC families. However, based on careful analysis of age-groups and other data, the Department of Agriculture unofficially estimates that 55 percent ($1,300,000,000) goes to AFDC.

If all states supplement, total benefits will increase. If no state supplements, total benefits will drop. The actual figure will likely fall somewhere in between.

What we must remember is that these figures include benefits that will be paid to millions of "working poor" who will be added to the rolls. The Administration estimates a rise in welfare recipients from the present 10.3 million on AFDC to 19.4 million under Title 4 of HR–1. So that even if all states supplement 100%, the average benefit per person will drop dramatically.

	AFDC	H.R. 1, if all States supplement 100 percent	H.R. 1, if no State supplements
Total benefits (billions)	$7.0	$8.6	$5.5
Number of recipients (millions)	10.3	19.4	19.4
Average annual benefit per recipient	$680.00	$443.00	$283.00
Average weekly benefit per recipient	$13.08	$8.52	$5.44
Percent drop in average benefits		35	58

Under HR–1, the welfare rolls will double, but the benefits will remain about the same. This is taking from the poor and giving to the poor.

In these figures lie the potential for disaster unparalleled in our nation's history; a 58% drop in average benefits to $5.44 a week, or even, optimistically, a 35% drop to $8.52 a week, is not only inhumane, but socially suicidal.

Yet this is what the authors of HR–1 call "welfare reform."

We suggest that it is not reform at all, but something quite different. We suggest that, because of the enormous and, perhaps, deliberate complexity of HR–1, many of its current supporters are not aware of these startling figures.

We suggest that, somehow, during the past few years, too many Americans have come to think of welfare in terms of what it costs, rather than what its benefits are; that, somewhere along the line, we have begun to put money ahead of people.

True welfare reform demands that we change that thinking.

Financial relief for States ("hold harmless")

	AFDC	H.R. 1	Ribicoff	Harris	McGovern
Are States assured that their future costs will never exceed their 1971 welfare Costs?					
(*a*) For supplements paid to recipients eligible under current State law?	No	Yes	Yes [1]	Yes	Yes.
(*b*) For supplements paid to working poor?	No	No	Yes [1]	Yes	Yes.
(*c*) For supplements paid to newly-eligible? (Singles, etc.)	No	No	Yes [1]	Yes	Yes.
(*d*) For supplements paid as the sole result of a State's raising its benefit level above what it was in 1971?	No	No	Yes [1]	Yes	Yes.

[1] Ribicoff provides a sliding scale, assuring that no State will spend more than the following percentage of its calendar year 1971 costs:

Fiscal year:	*Percent*
1973	90
1974	75
1975	50
1976	25
1977	0

This is a confusing, but crucial, area. If a state chooses to make supplemental payments to recipients, the Federal Government guarantees that the state need never spend more than the state spent in 1971. If a state's supplemental payments *should* exceed 1971 costs, the Federal Government picks up the tab for everything over that.

However, under H.R. 1, this guarantee only applies to monies paid by the states to recipients who would be eligible under that state's *current welfare laws.*

A state will not be "reimbursed," ("held harmless") by the Federal Government for *any* payments made:

1. To the working poor (since they are not currently eligible), or
2. As a result of a state's raising its basic benefit level *above* what it was in 1971.

In other words, if a state, one day, in a burst of generosity, decided to raise the total benefit level from, say $3200 to $4200, it would not be reimbursed by the Federal Government for any payments made *because* of that rise in levels.

For example:

State welfare costs

	1971	Future year
(a) Those eligible under current system	$140	$160
(b) Working poor	0	60
(c) Additional costs as a result of raising benefit level above 1971 level		50
Total, State welfare costs	140	270
Reimbursed, or held harmless by Government to State ($160 to $140)		−20
Net State welfare costs	140	250

The state is not "held harmless" for the $60 million it spent on working poor supplements, nor on the $50 million it spent because it raised its benefit level. Net state costs, then, are $250 million, compared to $140 million in 1971.

In these figures are powerful disincentives for a state to make supplemental payments.

Without state aid, where would people turn for help? Probably to the county governments, financed largely by the already frustrated and beleaguered property taxpayer. In many states, such as California, counties are required by *law* to finance general relief, to help persons who cannot get aid elsewhere.

We fully agree with the Columbia University Center on Social Welfare Policy and Law:

> "Although it extends benefits for the first time to the 'working poor,' and promotes uniformity through increased federal administration, HR–1 contains little else in the way of 'welfare reform.' If enacted, it can result in a loss of benefits to 90% of current welfare recipients, and it will create an administrative process antagonistic to individual rights and unresponsive to human needs."

SPECIAL NEEDS AND EMERGENCY ASSISTANCE

Unlike the current system and all other reform plans, H.R. 1 denies benefits for special needs, such as: replacement of worn-out refrigerator or stove; major household appliance; special diet for an ill person or pregnant woman; replacement of items lost in fire, flood, theft or other disaster; special transportation costs; special medical, nutritional or instructional needs of any member.

Current law now permits emergency assistance for a period of up to 30 days a year to any recipient without resources. All reform bills except H.R. 1 retain this provision. H.R. 1 would provide for an advance payment of $100 at the time of application, if a true emergency can be proven. This $100 is then deducted from the recipient's FIRST payment.

CURRENT NEED

One of the little known but most devastating provisions of H.R. 1 concerns the method for determining the amount of benefits. Under current law, benefits are to be based upon current needs. This has been interpreted in present HEW regulations to mean that "only such income as is actually available for current use" will be considered.

Tragically, H.R. 1 budgets for families are not computed according to current need. They are computed on a quarterly basis, and any income received during the previous THREE quarters is to be deducted from benefits due for the current quarter. This means that a family will be presumed to have saved all income for the past nine months in excess of payment levels. A family thrown out of work will thus have to wait up to nine months before it becomes eligible for any payments, regardless of ability to meet current needs. It will be expected to buy bread today with the money that it spent yesterday.

Neither the current AFDC system, nor any of the other reform bills include this inhumane provision which is designed to save money instead of people.

CURRENT NEED

CARRY OVER EXAMPLE

Waitress with 3 kids earns $300/mo. net income.* At the end of 1 year she loses job — no car — kids are sick — no job

Does not include earning disregard, etc.

Q-Quarter She applies for Welfare

Q-3		Q-2		Q-1		Q-0		
$900	income	$900	income	$900	income	$ 0	no income	
-600	allowed by FAP-OFF	+300	carry-over	+600	carry-over	900	carry-over	
$300	carry-over 'savings'	$1200	total	1500	total	900	total	Her carry over exceeds the $600 limit so she is not eligible this quarter.
		-600	allowed by FAP-OFF	-600	allowed by FAP-OFF	-600	allowed by FAP-OFF	
		$600	carry over	$900	carry over	$300	EXCESS	

← Previous 9 months →

↑Current 3 mos.↑

Recompute every 3 months

Q-3		Q-2		Q-1		Q-0	
$900	income	$900	income	$ 0	no income	After waiting 9 mos., she is now eligible. Certification can take several weeks and sending the check from Washington, D.C. an additional period of time. She could easily wait more than 6 mos. after losing her job to receive her first check.	She applies again next quarter.
-600	allowed by FAP-OFF	+300	carry over	600	carry over		
$300	carry over	1200	total	$600	total		
		-600	allowed by FAP-OFF	-600	allowed by FAP-OFF		
		$600	carry over	0	carry over		

← Next 9 months →

* Net income is total income less deductions and exemptions

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WHO IS ELIGIBLE?

A family whose income falls below the minimum floor, or a working family whose annual income falls below the "break-even point," and who has financial resources below a specified level, may be eligible for benefits.

	AFDC	H.R. 1	Ribicoff	Harris	McGovern
Is a person eligible if he or she is:					
Aged, blind, or disabled	Yes [1]	Yes [1]	Yes [1]	Yes	Yes.
A single person, 18 to 65	No	No	Yes	Yes	Yes.
A married couple without children	No	No	Yes	Yes	Yes.
A family of 2 or more with children	Yes [2]	Yes	Yes	Yes	Yes.
(*a*) Including a student under 18	Yes	Yes	Yes	Yes	Yes.
(*b*) Including a student under 22	Varies	Yes	Yes	Yes	Yes.
A family headed by a full-time college student (with children)	Yes	No	Yes	Yes	Yes.
A pregnant woman with no other child	Varies	No	Yes	Yes	Yes.
A migrant family with children, but not living in a suitable home	Yes	No	Yes	Yes	Yes.
A person who has been outside the United States for 30 consecutive days	Yes	No	Yes	Yes	Yes.

[1] H.R. 1 would pay benefits to the aged, blind, and disabled under a totally separate program. (AABD—title 3.) The Ribicoff amendments to title 4 do not directly change that program.

[2] Eligible if either parent is absent, dead or incapacitated, and the remaining parent is unemployed. (Less than 100 hours a month.) Also eligible (in 24 States) if both parents are present, and the father is unemployed.

Under H.R. 1, income is not available to all who are truly in need. The current system excludes the working poor—those who work, but don't earn enough to rise from poverty. All four reform measures, including H.R. 1, correct this injustice.

But under H.R. 1, single persons, childless couples and first-time pregnant women are all ineligible. There is also an absolute exclusion of any family head who goes full time to college. This arbitrarily prevents any recipient from pursuing a higher education. Even under current law, college attendance clearly cannot be a factor in eligibility.

It makes no sense to deny assistance to a couple without children and provide $2000 to a couple with one child. The incentive to have children under such an illogical exclusion makes H.R. 1 a Family Expansion Plan rather than a Family Assistance Plan.

The Ribicoff, Harris and McGovern plans all provide coverage to everyone in need, whatever their status.

III

	AFDC	H.R. 1	Ribicoff	Harris	McGovern
Does the plan provide incentive to productive activity?	No	No	No	Yes	Yes.
Will a family always earn more by working?	No	No	No	Yes	Yes.
What items may a family deduct from its total annual earnings?					
The first $———	360	720	720	0	0.
——— percent of the remainder of	33	33	40	40	33.
——— earnings	Gross	Net	Gross	Gross	Gross.
Child care expenses?	Yes	Limit	Yes	Yes	Yes.
Work expenses?	Yes	No	No	Yes	Yes.

No one would argue that positive work incentives are an essential principle of true welfare reform. One of the inequities of the current system is that a family that works often winds up with less money than one that doesn't.

Unfortunately, neither HR–1 nor Ribicoff change this situation. In many cases, the problem is aggravated, because reasonable work expenses are no longer deductible. A worker is expected to pay all transportation costs, union dues, Federal, state and local taxes, and other mandatory payroll deductions out of the $720 "incentive." When these costs are high, expenses can easily go beyond $720, leaving a working family less actual income than one where no one is working.

What happens to a family earning $3000 a year when expenses run a nominal $30 a week?

Typical example of work incentive under H.R. 1

	Government calculation	Amount family actually receives	Amount family would have received by not working
Total earnings for year	$3,000	$3,000	
Deduct $720 incentive	−720		
Adjusted gross earnings	2,280		
Work expenses, $30 per week (not deductible)	0	−1,500	
Net earnings	2,280	1,500	
Deduct ⅓ of net	−760		
Amount which Government will deduct from benefit level	1,520		
Therefore: Basic benefit level, $2,400; less $1,520; Government pays to family $880		880	$2,400
So family's actual income is		2,380	2,400

Under HR–1, the family is $20 poorer due to the father working full-time than if the had not worked one single day. In the same example under AFDC (assuming, for the sake of comparison, that the state's basic benefit level was only $2400), the family would be allowed to deduct all work expenses, and would end up with $3640.

As an even further disincentive to work, HR–1 provides that any deductible child-care expenses must be deducted from "Net" earnings rather than "Gross" earnings.

This is yet another of the confusing aspects of HR–1 which is misleading and difficult to comprehend. We maintain this trickiness has been deliberately inserted for the purpose of discouraging citizens and lawmakers from looking into the fine print of the bill.

There is a further tendency to think of "Gross" and "Net" earnings as details to be left to the mathematicians. But the difference in calculations can mean hundreds of dollars a year to each of millions of families. Hardly a detail.

HR–1 Calculations

Example of "Net" vs. "Gross" Benefits.

(Deducting child-care expenses from "net" earnings)	
Total earnings (52 weeks at $1.60 an hour)	$3,328
Deduct $720 "incentive"	−720
Adjusted gross earnings	2,608
Deduct child-care expenses ($30/week)	−1,500
"Net" earnings	1,108
Deduct one-third of "net"	369
Amount which Govt. will deduct from benefit level	739
Therefore:	
Benefit level	2,400
Less	−739
Govt. pays to family	1,661

Same example, but what happens when child-care expenses are deducted from "gross" earnings	
Total earnings	$3,328
Deduct $720	−720
Adjusted "gross" earnings	2,608
Deduct one-third of "gross"	−869
Net earnings	1,739
Deduct child-care	−1,500
Amount which Govt. will deduct from benefit level	239
Therefore:	
Benefit level	$2,400
Less	−239
Govt. pays to family	2,161

The difference between calculating a family's benefits on "gross" or on "net" income is $500.

A family loses 33⅓ cents on every dollar spent for child-care expenses under this curious accounting method. In effect, a family does not get a full deduction at all. It gets only ⅔.

What happens to that same mother when she also has normal work expenses?

	Government calculation	Amount family actually receives	Amount family would have received by not working
Total earnings	$3,328	$3,328	
Deduct $720	−720		
Adjusted gross earnings	2,608		
Deduct child care expense	−1,500	−1,500	
Work expenses (not deductible)	0	−1,500	
Net earnings	1,108	328	
Deduct ⅓ of net	369		
Amount which Government will deduct from benefit level	739		
Therefore: Benefit level, $2,400; less $739; Government pays to family, $1,661		1,661	$2,400
So family's actual income is		1,989	2,400

So by working full time throughout the year at the full minimum wage, a mother could actually receive $411 LESS for her family than if she had not worked at all.

Both the Harris and McGovern bills allow reasonable work and child-care expenses to be deducted from "gross" earnings, thus providing positive incentives to work, and fulfilling a crucial element of true welfare reform.

	AFDC	H.R. 1	Ribicoff	Harris	McGovern
Does the plan respect the freedom of individuals to manage their own lives, increase their power to choose their own careers, and enable them to participate in meeting personal and community needs?	Varies	No	No	No	Yes.
Who's excluded from work?:					
Mother of a child under 3?	Yes	Yes	Yes	Yes	Yes.
Mother of a child under 6?	Yes	No	Yes	Yes	Yes.
Mother of a child under 18?	Varies	No	No	Yes	Yes.
Mother, if husband works?	Yes	Yes	Yes	Yes	Yes.
Father, if wife works?	Varies	No	No	Yes	Yes.
Student under 22?	Yes	Yes	Yes	Yes	Yes.
Pregnant woman with no other child?	Varies	No	Yes	Yes	Yes.

NOTE.—Yes if excluded from work. No if not excluded and, therefore, forced to work.

This is where the emotion is. It's "workfare" vs. "welfare." Emptying bed pans vs. "living the good life." Logic won't work. We believe what we want to believe.

The U.S. Constitution, Article 1, Section 8, says:

> "The Congress shall have power to lay and collect taxes . . . . . and provide for the common defense and the general welfare of the United States."

How is it that the term "welfare" has become a dirty word in America? As a percent of national income, the U.S. spends less on social programs than any of 16 European countries, and less than Canada, Israel, Australia and New Zealand.

Swedish economist Gunnar Myrday discovered:

> "America of all rich countries is one which has the highest rate of unemployment, the worst and biggest slums, and which is the least generous in giving economic security to its old people, its children, its sick people and its invalids."

Why? What is it that we want welfare reform to accomplish? Is it to get money into the hands of those who need it, and to reduce regulation of them to a humane minimum? Or is it to make it so difficult for people to get money that they will gladly take any kind of job just to survive?

Should basic economic needs be available as a matter of right, with need as the sole criterion for eligibility? Or should they be available only to those who are judged to be "deserving."

Perhaps we could learn from our European neighbors. After all, no one nation has a monopoly on knowledge.

The social welfare programs in Sweden and Denmark are well known. Poverty has all but been eliminated in those countries. West Germany is moving in the same direction.

The French Constitution states:

> "The nation shall guarantee to all, and particularly to the child, the mother and the aged worker, protection of health, material security, rest and leisure. Any individual who, because of his or her age, his or her physical or mental condition, or because of the economic situation, shall find himself or herself unable to work, shall have the right to obtain from the community the means of a decent existence."

Are we any less willing to care for our unfortunate then the French?

The basic welfare philosophy which the United States, as a civilized nation, should embrace is summed up by the French Government:

> "Man, from birth to death, has the right to be protected by the community. All of France's social legislation is dominated by the determination never again to place man in the position of begging."

	AFDC	H.R. 1	Ribicoff	Harris	McGovern
Can a person refuse to work if:					
Job pays only ¾ of minimum wage?	Varies	No	Yes	Yes	Yes.
No adequate child care is available?	Yes	No	Yes	Yes	Yes.
Job is too far from home?	Yes	No	Yes	Yes	Yes.
Job is dangerous to health and safety?	Yes	No	Yes	Yes	Yes.

HR–1 may provide little in the way of the "carrot" for incentive, but it provides much in the way of the "stick."

Under HR–1, persons assigned to jobs must accept ¾ of the minimum wage—$1.20 per hour. A large pool of workers will be created who, because they must work for low pay, will depress wages. The Federal Government, in its own program, will be subsidizing sub-standard wages. Ribicoff and Harris guarantee that no recipient need work for less than the minimum wage.

H.R. 1 provides no guarantee that a recipient will not have to work if no adequate child-care is available. The House Ways and Means Committee Report specifically states that "the lack of quality child care would not be good cause for failure to take training," as it is under current law.

H.R. 1 does not specify that distance from home and health and safety standards shall be grounds for refusal to work. Authors of H.R. 1 deny this. They say the *Committee Report* on H.R. 1 says they *shall* be valid reasons to refuse. But the *bill*, itself, does *not* say that. Current law and all other reform bills do. How much legal weight does a Committee Report carry?

H.R. 1 authors also say a person can refuse work for "good cause." But "good cause" is not defined in the bill. It is left to the judgment of "the Secretary," with no hearing provided. This means that it will likely vary from office to office according to the usual human moods and prejudices, as is now the case with unemployment compensation.

These are just two examples of why there is so much confusion surrounding H.R. 1.

In short, a mother with a 3-year old child can be required to work for $1.20 an hour at whatever job is available, even if only low-quality day care exists for her child, and may even be forced to pay the entire cost of the inadequate day-care. This cost, plus her work expenses, could easily wipe out her entire earnings, and could even result in less income than if she didn't work. It would be the strongest kind of disincentive to work. Yet, if she refused, she would be cut off welfare, and any payments for her child would be paid to an administrator outside the family.

It is clear to us that H.R. 1 is yet another welfare program for the business community. For it will assure them a supply of cheap labor. And employer need only inform the local welfare office that jobs are available and recipients must work for him at $1.20 an hour or lose their welfare benefits.

Jobs and training

	AFDC	H.R. 1	Ribicoff	Harris	McGovern
How much funds are authorized for public service jobs? (billions of dollars).	(1)	0.8	1.2	1.0	0.
How many jobs will this create? (thousands)	(1)	200	300	250	0.
Is that enough jobs for all who want to work?	No	No	No	No	No.
How much funds are authorized for job training? (billions of dollars).	(1)	.54	1.0	1.1	0.
Will the training always lead to a job?	No	No	No	No	No.
Can training be taken in college?	Yes	No	Yes	Yes	Yes.
Can a trainee volunteer to work, full-time, with charitable organizations such as Red Cross, hospitals, YWCA, Big Brothers, the blind, nursing homes, etc.	(1)	No	No	No	Yes.
Is raising a family considered useful work?	(1)	No	No	Yes	Yes.

[1] AFDC varies from State to State. H.R. 10604 ("Talmadge" bill) which goes into effect July 1, 1972, provides an increase from 75 percent to 90 percent for Federal matching funds to encourage States to establish work and training programs. Items marked (1) will become "No."

With all the talk about "workfare," and forcing welfare recipients to work, we would like to ask where is the work test that we apply to farmers? Where is the work test that we apply to oilmen? Where is the work test that we apply to bankers, to defense contractors, to cattlemen, to shipbuilders, all of whom receive subsidies, or "welfare" from the Government? Isn't this socialism for the rich and free enterprise for the poor?

Perhaps the work requirement, itself, becomes irrelevant when one considers the labor market today. Unemployment is over 6%. Among blacks it is 11%. Indeed, since the autumn of 1969, total non-white male employment has fallen by 82,000.

Five million people cannot find jobs. The Administration deliberately keeps unemployment above 4% to "stem inflation," even though most industrial nations maintain rates of 1% to 2%. None of the reform bills provide jobs or training to meet this kind of demand.

Even if it is valid public policy to combat inflation with high unemployment, we wonder if we should then punish the victims of this policy by denying benefits to those who do not work.

The assumpton on the part of many persons in and out of government is that the upsurge in welfare costs is due, not to an officially-induced recession, but to the laziness of the poor and their unwillingness to empty bed pans. Yet a pilot program in effect for nearly two years in New Jersey is proving that people *will* work, voluntarily, without forced work requirements.

To shrink the welfare morass we must grant aid on the basis of need—regardless of whether the needy are "deserving" or not in the eyes of others. Only then can we dismantle most of the welfare bureaucracy. The part of the welfare system that does remain can concentrate on helping the individual to find ways to develop himself, rather than policing him to ensure he is not loafing.

It is a myth that people don't want to work. Robert Townsend, former President of the Avis Corporation who got everyone to try harder, is a man who should know:

> "People don't hate work. It's as natural as rest or play. They don't have to be forced or threatened. If they commit themselves to mutual objectives, they'll drive themselves more effectively than you can drive them."

Under the McGovern plan, benefits are based solely on need. Recipients are left with the freedom to manage their own lives, to plan their own careers, and to raise their own families without the supervision of a Government bureau. Thus, it alone meets the test of the fourth principle of true welfare reform.

V—Does the plan provide a just system that protects the rights of individuals, and provides reasonable opportunities to redress grievances within the system?

AFDC	Yes.
H.R. 1	No.
Ribicoff (both H.R. 1 and Ribicoff deny judicial review "as to any fact," again contradicting numerous Supreme Court rulings)	Yes.
Harris	Yes.
McGovern	Yes.

True welfare reform must recognize and protect the rights of recipients. Many of the indignities and injustices of the present system resulted from denial of basic rights of people as citizens. Through many hard-earned legal victories in the past few years, many of these formerly-denied-rights are now granted.

Under HR–1, however, unlike any of the other plans, a person's benefits may be cut off without adequate notice or a prior hearing. This is in direct violation of a Supreme Court ruling. 46% of all AFDC cutoffs are reversed after hearing. If HR–1 is passed, it is feared those 46% may literally starve waiting for justice.

Opponents of HR–1 claim it denies basic constitutional rights. It requires that representatives of recipients show they are "of good character and in good repute." A local official could bar any attorney for "refusing to comply with the Secretary's rules and regulations," and could appoint hearing examiners "without meeting specific (Government) standards." No such arbitrary stipulations exist under current law or any of the other plans.

Under HR–1, a family may be automatically cut off from benefits, without a hearing, for delay or failure to file a myriad of periodic reports. This is certain to result in loss of benefits to thousands whose only crime is ignorance of bureaucratic procedures.

Under HR–1 and Ribicoff, the Government will institute and use a "national master file" composed of information from IRS, Social Security and other sources. Extensive investigations will be made before benefits are paid, including the unconsented-to-questioning of neighbors, landlords, creditors, etc.

The Harris and McGovern bills consider this an invasion of privacy, and unnecessarily costly to the American taxpayers. Welfare fraud is only 0.4% of all recipients, a figure comparable to white collar crime. Government studies have shown that amounts saved by a simple declaration-of-need process far exceed any monies received illegally.

Current costs of welfare fraud: (0.4% of $14.5 billion)	$58,000,000
Current cost of administration	800,000,000
H.R. 1 cost of administration (Government estimate)	1,100,000,000

But too many Americans don't believe the figures. The myth of the "welfare chiseler" persists and embodies itself in the most critical legislation of our time.

Why? How did the myth get started? What keeps it going? How do you manipulate people to believe that welfare fraud is rampant when, in fact, it is 0.4%.

It's not difficult.

If you're President Richard Nixon, you go on national television on Labor Day, 1971, and you tell the American people:

> "The thing that is demeaning is for a man to refuse work and then to ask someone else who works to pay taxes to keep him on welfare." (Applause)

If you're the State Welfare Director of Nevada, you make the front page by charging that:

> "50% of welfare recipients caught cheating."

Later you are found to be "running roughshod over the rights of welfare recipients" and your charges totally unfounded by the Federal District Court in Las Vegas in March, 1971. But the truth never quite catches up with the charge.

If you run a San Diego newspaper, you give a 5-column, 50-inch story to Governor Reagan's blast of rising welfare costs, while in the same issue, you put the latest poverty figures on an inside page in a two-inch news story.

If you manage the Los Angeles Herald-Examiner on May 5, 1971, you trumpet the headline:

> "Poverty Aid Scandal; Reagan Bares Thefts; Asks Nixon Act."

Those people who will bother to read the story will find that there are no thefts at all. Reagan is charging mismanagement of certain Office of Economic Opportunity funds.

OEO officials are given no opportunity in the story to replay to the charges. Thus, the impression the Los Angeles public will receive this day is that there is flagrant welfare chiseling in California, when, in fact, there is nothing of the sort.

If you run the only other major Los Angeles newspaper, the Times, you headline: "Welfare Costs Skyrocket" citing the annual welfare cost rise to $16.3 billion. But a few days later you virtually ignore the U.S. Senate's voting of $21 billion for military procurements costs in 1972. You bury the story on the inside pages.

Then, on September 30, 1971, when the Government announces it's latest survey that welfare fraud is substantially less than 1%, you ignore the story completely. You don't even print it.

So it's not difficult to see how the Los Angeles public is regularly deluded into believing that welfare costs and welfare chiselers are the cause of rising taxes, and that the poor of America are richly getting what they deserve.

And the same pattern exists throughout the country.

And so the myth of the "welfare chiseler" has not only survived, it has arrived at its final, pre-ordained destination—enshrined in major national legislation, designed to diminish the individual liberty of any citizen unfortunate enough to find hmself or herself on welfare.

Moreover, the myth is given sanction and even endorsement by many who would have been rightly outraged as little as four years ago.

It is for reasons such as these that welfare reformers oppose HR–1. Protection of justice and individual liberty is vital to any true welfare reform. They should not be denied to any citizen. Only the Harris and McGovern plans meet this crucial test.

VI—Does the plan provide income in a way that is neither degrading to human dignity, nor destructive of family, life?

AFDC	No.
HR–1	No.
RIB	Yes.
Harris	Yes.
McGov	Yes.

The final prerequisite of welfare reform is that it must preserve the dignity of the individual and the integrity of the family. Man-in-the-house rules and residency requirements are only two of the obvious examples of a degrading welfare policy. The Courts struck down both of these as unconstitutional.

Yet HR–1 brings back to life both of these abhorrent, obnoxious indignities, in direct contradiction to the Court's rulings. It makes stepfathers financially responsible for their stepchildren, even if state law dictates that this is not true for non-welfare stepfathers. It sets the stage for a revival of the infamous man-in-the house raids. It creates a whole new class of society: the "welfare father," as opposed to the "non-welfare father." It's the old class-against-class technique.

It is not only demeaning and dehumanizing, but it creates a strong distinctive to marriage and family stability.

Under HR–1 and Ribicoff, any individual who deserts his spouse or child is made liable to the Government for all welfare benefits paid to them. This debt is to be collected out of "any amounts otherwise due him or becoming due him at any time from any officer or agency of the United States or under any Federal program." (Old Age, Survivors Disability Insurance, Social Security, etc.) No court needs determine that a debt exists. The debtor has no legally prescribed recourse once the Government's decision is made. Nor has he the right to advance notice that funds are being kept from him. In other words, he is being deprived of property without even a semblance of due process of law.

In some quarters, it is a commonplace belief that recipients of public assistance should give up their rights as citizens because they are accepting "public charity." Much of the language of HR–1 reflects this sentiment.

Throughout HR–1 appear the phrases "the Secretary shall prescribe," "as determined by the Secretary," etc. They refer to the Secretary of Health, Education and Welfare and the Secretary of Labor. The phrases are generally found in the context of a rule or policy of HR–1 containing only vague guidelines. The "Secretary" is assigned the task of implementing and making these policies specific.

We fear that this unchecked power, coupled with the lack of recourse for recipients, will enable the "Secretary" to virtually control the life of everyone in the program.

We further fear that, in the not-too-distant future, perhaps before 1984, that as more and more people are forced to enter the welfare rolls (through loss of jobs due to technology, economic conditions, etc.), the "Secretary" may come to control a sizeable portion of the American population.

We believe, as did Whitney Young, that:

> "Human rights are God-given. Simply because one exists in the image of God, he is entitled to certain basic human rights, to the realization of his full potential."

We believe that the American people are a compassionate people. We believe, as did Robert Kennedy, that "as long as there is plenty, poverty is evil." We believe that the lessons we were taught in church and in school still hold good—that we are our brothers' keeper, even though sometimes we forget.

We believe that we should help all people who cannot help themselves. When a child in a ghetto is five years old, we do all we can to help. Often we fail. Then, twenty poverty-filled and educationally-deprived years later, some of us call that same child a leech and a welfare chiseler. We reject such logic.

True welfare reform demands compassion and protection of human dignity. H.R. 1 would deny these. The other reform bills, in varying degrees, support this crucial element of true welfare reform.

SUMMARY

It is objectively clear that H.R. 1 does not meet the principles of true welfare reform; that, in fact, it is not reform at all and should be defeated.

It is further clear that the present system, despite its shortcomings, is infinitely preferable to the loss of benefits, denial of rights, and serious encroachment on individual liberty which H.R. 1 would surely bring.

Senator Ribicoff's plan is a solid improvement over H.R. 1, but it fails to meet four of the six essentials of true welfare reform.

Senator Harris' bill scores high, but it retains two weaknesses of the others: inadequate income at the start of the program, and forced work requirements which will likely prove ineffective and impractical.

Senator McGovern's plan, alone, meets the objective principles of true welfare reform . . . streamlined administration, adequate income, positive work incentives, freedom to manage one's own life, protection of individual liberty, and protection of human dignity and family life.

How much will it cost?

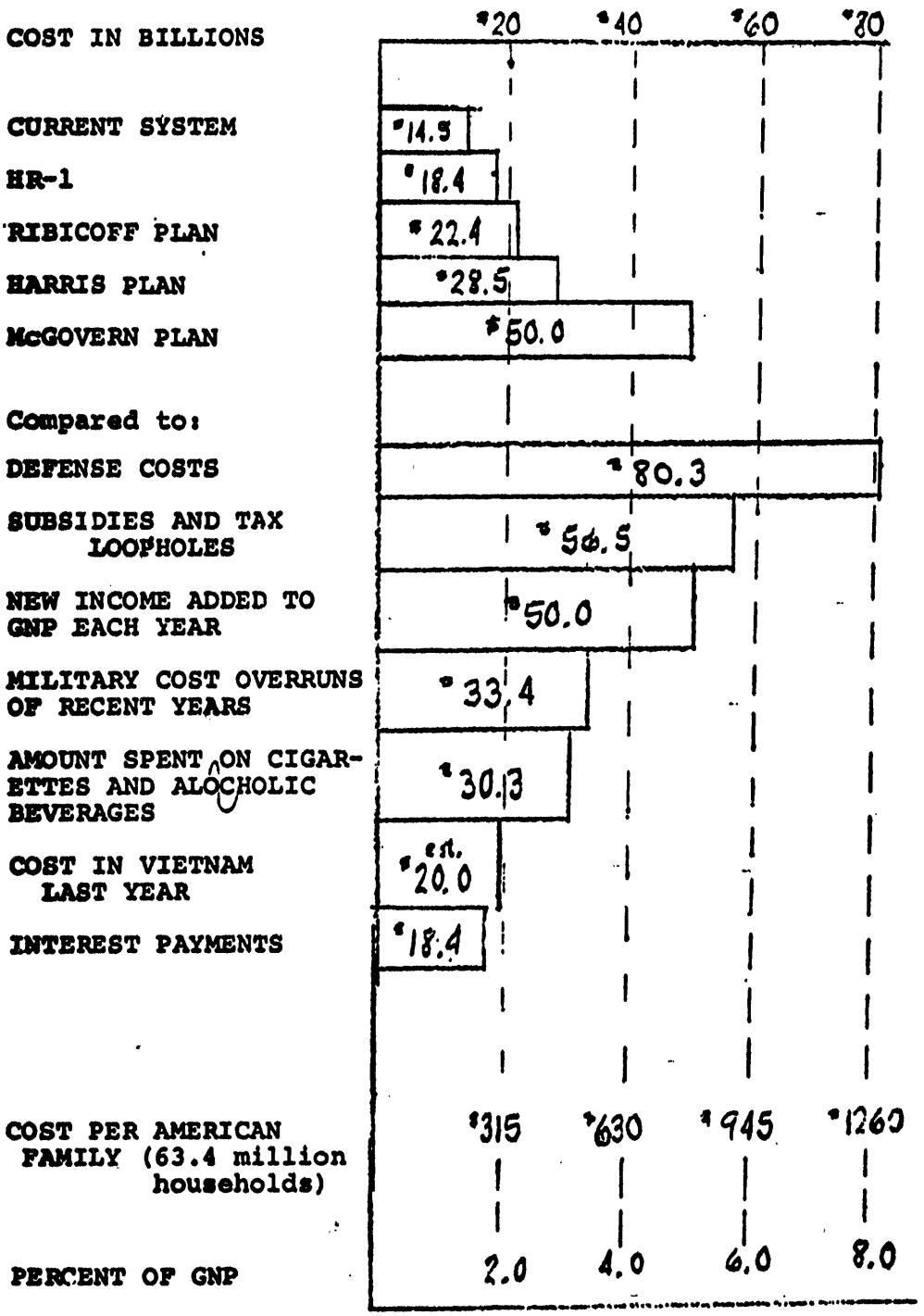
	Current System	H.R. 1	Ribicoff	Harris	McGovern
What will the plan cost the 1st year? (billions of dollars).	14.5	18.4	22.0	28. 5	50.0.
Is that cost less than:					
Our annual defense costs? ($80,300,000,000).	Yes	Yes	Yes	Yes	Yes.
Annual subsidies and tax loopholes? ($56,500,000,000).	Yes	Yes	Yes	Yes	Yes.
The amount of new income added to the GNP each year? (over $50,000,000,000).	Yes	Yes	Yes	Yes	Yes.
Military cost overruns of recent years? ($33,400,000,000).	Yes	Yes	Yes	Yes	No.
The amount we spend each year on cigarettes and alcoholic beverages? ($30,300,000,000).	Yes	Yes	Yes	Yes	No.
Our costs in Vietnam last year? (estimated $20,000,000,000).	Yes	Yes	No	No	No.
Our annual interest payments? ($18,400,000,000).	Yes	Yes	No	No	No.
What is the cost as percent of GNP? (over $1,000,000,000,000).	1.4	1.8	2.2	2.8	5.0.

When we ask "How much will it cost?" we make a mistake. We should ask: "To what are we committed?" In World War II we did not ask, "What will it cost to defeat Hitler?" We did what we had to do.

Today the United States spends $100 billion a year to ward off "risks" from abroad, while we ignore "realities" at home. There is no way to justify this.

A society that can spend billions of dollars on losing weight, and can't spend enough to feed people suffering from malnutrition is sick.

HOW MUCH WILL IT COST?



True welfare reform quick tally

	AFDC	H.R. 1	Ribicoff	Harris	McGovern
I. SIMPLE ADMINISTRATION					
1. National uniform standard?	No	Yes	Yes	Yes	Yes.
2. Eliminates categories?	No	No	No	Yes	Yes.
3. Completely run by Federal Government?	No	No	No	No	Yes.
II. ADEQUATE INCOME TO ALL					
4. Minimum annual floor? (family of 4)	Varies	$2,400	$3,000	$4,000	$6,500.
5. Minimum weekly income floor?		$46	$58	$77	$125.
6. Is it adequate?	No	No	No	No	Yes.
7. Cost-of-living increases	No	No	Yes	Yes	Yes.
8. Working poor covered?	No	Yes	Yes	Yes	Yes.
9. Extra help for large families?	Yes	No	Yes	Yes	Yes.
10. Minimum for aged, blind and disabled? (couples).		$2,340	$2,340	$2,600	$4,100.
11. Eligible for food stamps?	Yes	No	No	No	No.
A. State Supplementation					
12. Must States maintain current levels?	No	No	Yes	Yes	Yes.
13. How many recipients lose benefits without State aid? (percent).		90	70	27	0.
14. Incentives for States to supplement? (percent).	50	0	30	0	0.
15. States assured no increase in costs if it supplements?	No	No	Yes	Yes	Yes.
B. Current Needs					
16. Special needs covered?	Yes	No	Yes	Yes	Yes.
17. Emergency assistance available?	Yes	No	Yes	Yes	Yes.
18. Benefits based on current need?	Yes	No	Yes	Yes	Yes.

C. Everyone covered?					
19. Family of 2 or more with children?	Varies	Yes	Yes	Yes	Yes.
20. Singles and childless couples?	No	No	Yes	Yes	Yes.
21. Family headed by college student?	Varies	No	Yes	Yes	Yes.
22. Pregnant woman with no other child?	Varies	No	Yes	Yes	Yes.
23. Student under 22?	Varies	Yes	Yes	Yes	Yes.
III. WORK INCENTIVE					
24. Family keeps first $_____ of earnings	360	720	720	0	0.
25. Plus _____ percent of remainder of	33	33	40	40	33.
26. _____ earnings	Gross	Net	Gross	Gross	Gross.
27. Work expenses deductible?	Yes	No	No	Yes	Yes.
28. Child-care expenses deductible?	Yes	Limit	Yes	Yes	Yes.
29. Always earn more by working?	No	No	No	Yes	Yes.
30. "Break-even" point?	Varies	$4,320	$5,720	$6,667	$9,750.
IV. FREEDOM					
A. Work requirement: Who's excluded?					
31. Mother with child under 3?	Yes	Yes	Yes	Yes	Yes.
32. Mother with child under 6?	Yes	No	Yes	Yes	Yes.
33. Mother with child under 18?	Varies	No	No	Yes	Yes.
34. Mother, if husband works?	Yes	Yes	Yes	Yes	Yes.
35. Father, if wife works?	Varies	No	No	Yes	Yes.
36. Child under 16?	Yes	Yes	Yes	Yes	Yes.
37. Child 17 to 18 if not student?	Varies	No	No	Yes	Yes.
38. Student under 22?	Yes	Yes	Yes	Yes	Yes.
39. Pregnant woman with no other child?	Varies	No	Yes	Yes	Yes.
B. Can a person refuse work if					
40. Job pays only ¾ of minimum wage?	Varies	No	Yes	Yes	Yes.
41. No adequate child care available?	Yes	No	Yes	Yes	Yes.
42. Job is too far from home?	Yes	No	No	Yes	Yes.
43. Job dangerous to health and safety?	Yes	No	Yes	Yes	Yes.

True welfare reform quick tally—Continued

	AFDC	H.R. 1	Ribicoff	Harris	McGovern
C. Jobs and training					
44. Enough jobs available for all?	No	No	No	No	No-
45. Will training always lead to job?	No	No	No	No	No.
46. If not, are trainees then free to look for work on their own?	Varies	No	No	No	Yes.
47. Can training be taken in college?	Yes	No	Yes	Yes	Yes.
48. Can trainee volunteer, full time, with Red Cross, hospitals, etc.?	Varies	No	No	No	Yes.
49. Is raising a family useful work?	Varies	No	No	Yes	Yse.
V. JUSTICE AND INDIVIDUAL RIGHTS					
A. Due Process of Law					
50. Full due process hearings?	Yes	No	Yes	Yes	Yes.
51. Retail benefits until after hearings?	Yes	No	Yes	Yes	Yes.
52. Representation, legal counsel and impartial hearing examiners?	Yes	No	Yes	Yes	Yes.
53. Full judicial review?	Yes	No	No	Yes	Yes.

B. Individual Rights

54. Protection from automatic cutoff?	Yes	No	Yes	Yes	Yes.
55. Simple declaration-of-need process?	Yes	No	No	Yes	Yes.
56. Confidentiality of records?	No	No	No	Yes	Yes.
57. Absent parent protected from garnishee of social security savings?	Yes	No	No	Yes	Yes.
58. Notification of proposed rules?	Yes	No	No	Yes	Yes.
59. Equal benefits for Puerto Rico, Guam, and Virgin Islands?	No	No	Yes	Yes	Yes.

VI. HUMAN DIGNITY AND FAMILY LIFE

60. Protection from "man-in-the-house" raids?	Yes	No	Yes	Yes	Yes.
61. Safeguard against residency laws?	Yes	No	Yes	Yes	Yes.
62. Adequate funding for child care?	No	No	No		
63. Developmental, not custodial, care?	Yes	No	No		

COST

64. How much will it cost? (billions of dollars)	14.5	18.4	22.4	28.5	50.0
65. Less than defense costs?	Yes	Yes	Yes	Yes	Yes.
66. Less than subsidies and tax loopholes?	Yes	Yes	Yes	Yes	Yes.
67. Cost as percent of GNP?	1.4	1.8	2.2	2.8	5.0
True welfare reform final tally:					
Yes	29	10	36	47	51.
No	15	45	22	7	3.

CONCLUSION

The American people expect and demand welfare reform. But if inadequate or repressive legislation is passed, someday another President will be calling the new system "an outrage" and demanding reform. Meanwhile, millions of Americans will continue to live in poverty.

The choice we face as a nation, today, is more than just welfare reform. We must choose what kind of a people we want to be.

We can ask, "Why have welfare at all?" For most of us, it is simply instinctual behavior. We look after our own. In a good country, your own includes a lot of people. It includes everybody.

In 1972, we have a chance to pass the most significant social legislation in our history. We have the resources to provide economic security and true freedom to everyone in America . . . to set a pattern for the world to follow.

We can do it. The only question is: will we?

COMPARATIVE SUMMARY OF MAJOR WELFARE REFORM PROPOSALS

The present Federal-State-local welfare system is geographically inequitable, discourages self-help, fails to reach more than ten million persons with incomes beneath the poverty line, provides in most cases less than a subsistence level of benefits, encourages desertion, is administratively chaotic, and has fostered dehumanizing myths about the poor.

The House of Representatives on June 22, 1971, passed a bill to revamp this system. Widely criticized, this bill is now pending in the Senate Finance Committee along with alternative welfare reform bills sponsored by Senators Harris, McGovern, and Ribicoff.

The Senate will act on these proposals in 1972. The issue is a complex one easily obscured by myth and misinformation. The purpose of this summary is to show the differences and similarities among the pending welfare reform proposals to help you judge for yourself what choices the Senate ought to make.

	S. 2747 (sponsored by Sen. Harris)	Amdt. No. 559 to H.R.1 (sponsored by Sen. Ribicoff)	Title IV of H.R.1 (House passed version of Administration proposal)	S. 2372 (sponsored by Sen. McGovern)
BENEFITS				
A. Family with no other income	A. $1700/yr. for first member of family; $900.yr. for second member of family; $700/yr. for each additional member (adjusted for local cost-of-living variations). This amounts to $4000/yr. for a family of four, the U.S. Gov't. defined "poverty level".	A. $1000/yr. for each of first two members; $500/yr. for each of next three; $400/yr. for each of next two; $300/yr. for each additional member (authorizes study of feasibility of allowing for local cost-of-living variations). This amounts to $3000/yr. for a family of four.	A. $800/yr. for each of first two members; $400/yr. for each of next three; $300/yr. for each of next two; $200/yr. for next member (maximum of $3600 for families of eight or more). This amounts to $2400/yr. for a family of four.	A. $2250/yr. for 1st person, $1850/yr. for second, and $1200/yr. for each additional person (adjusted for local cost of living changes). This amounts to $6500/yr. for a family of four, the level of consumption component of U.S. Gov't. BLS Lower Standard Budget, using the intermediate food budget. In lieu of these amounts, and where these benefits would be inadequate to provide the unit with the standard of living that can be achieved by a typical unit receiving these benefits, a unit may establish a benefit level for itself based on its own special circumstances and needs, pursuant to regulations by the Secretary.
B. Future increases	B. (1) Increases by July 1, 1976, to level of consumption component of BLS Lower Standard Budget (now about $6500/yr. for family of four). (2) Thereafter, changes pegged to changes in level of U.S. median family income.	B. (1) Increases by July 1, 1976 to U.S. Gov't. defined "poverty" level (now about $4000/yr. for family of four). (2) Thereafter, changes pegged to changes in U.S. Consumer Price Index.	B. (1) No provision for future increases. (2) No provision for cost-of-living changes.	B. Future changes are pegged to changes in level of U.S. median family income.
C. Grants for nonrecurring needs	C. (1) Authorizes payments by Federal Gov't. to meet special needs of family including furniture, clothing, and special medical, nutritional or instructional needs, at any time. (2) State emergency assistance programs, with federal matching funds, remain, and are strengthened.	C. (1) Permits payments by Fed. Gov't. for financial emergency. (2) Unclear whether federal matching funds remain for state emergency assistance programs.	C. (1) Not permitted. Can make only a cash advance up to $300, to be deducted from future benefits, to a family faced with a financial emergency at time of initial application. (2) State emergency assistance programs, with federal matching funds, remain.	C. (1) Same as Harris bill. (2) State emergency assistance programs, with federal matching funds, remain.
D. Maintenance of benefits/ state supplementation	D. (1) Requires benefits for all recipients, including those newly eligible, to be no less than Jan. 1, 1971 level, plus bonus value of food stamps as of same date. All recipients, present and future, are covered. (2) Requires states to reimburse Fed. government for amount by which (1) exceeds Federal minimum. Federal government must administer all supplemental payments. (3) Assures that state costs will not exceed fiscal 1971 welfare costs.	D. (1) Requires benefits for all current recipients, to be no less than Jan.1, 1971 level plus bonus value of food stamps as of same date. But supplementation can be denied to the working poor and possibly to newly eligible single individuals and childless couples. (2) Permits states to either make supplementary payment itself, or reimburse Federal Gov't for doing so (with Fed. gov't then paying administrative costs). (3) Provides 30% Federal sharing in state supplement, and assures that no state will spend more than the following percentage of its calendar year 1971 costs: FY 1973 — 90% FY 1974 — 75% FY 1975 — 50% FY 1976 — 25% FY 1977 — 0%	D. (1) No mandatory state supplementation. If state chooses to supplement, it can impose a residency requirement as a condition of eligibility, and can exclude the working poor and families with an unemployed father. (2) State can either make supplementary payment itself or reimburse Fed. gov't for doing so (with Fed. gov't. then paying administrative costs). (3) Assures that state cost of optional supplementation will not exceed calendar year 1971 costs, except that in determining the excess of such costs states cannot include the cost of benefits to the working poor or others not eligible under the state plan as of Jan. 1971.	D. (1) Program is fully federalized. All recipients, present and future, are covered, and will receive more than they are currently receiving. (2) Federal government administers and finances the entire program.

	(Harris Bill)	(Ribicoff Amendment)	(Title IV of H.R. 1)	(McGovern Bill)
		except that in determining the excess of such costs states cannot include the cost of benefits to the working poor or others not eligible under the state plan as of Jan., 1971.		
E. Eligibility for food stamps	E. No longer eligible.	E. No longer eligible.	E. No longer eligible.	E. No longer eligible.
ELIGIBILITY				
A. Income test	A. (1) For first year, eligible for some benefits if income is less than $4250/yr. for 1 person, $7000/yr. for 2 persons, $8750/yr. for 3 persons, $10,000/yr. for 4 persons, increasing by $1750/yr. for each additional person, and may be greater depending on existence of deductions for work-related expenses and other deductions (2) No restrictions on gross income.	A. (1) For first year, eligible for some benefits if income is less than $3220/yr. for 1 person, $5270/yr. for 2 persons, $6970/yr. for 3 persons, $8220/yr. for 4 persons, increasing by $1250/yr. for next person, $1000/yr. for each of next 2 persons, and $750/yr. for each additional person, and may be greater depending on existence of deductions for work related expenses and other deductions. (2) Secretary may prescribe circumstances under which gross income from a trade or business (including farming) is considered sufficiently large to make family ineligible, regardless of current need.	A. (1) For first year, eligible for some benefits if income is less than $2820/yr. for 1 person, $3170/yr. for 2 persons, $3720/yr. for 3 persons, $4320/yr. for 4 persons, increasing by $600/yr. for next person, $450/yr. for each of next 2 persons, and $300/yr. for each additional person up to maximum of $6120/yr. and may be greater depending on existence of deductions for work related expenses and other deductions. (2) Same as Ribicoff bill.	A. (1) For first year, eligible for some benefits if income is less than $3775/yr. for 1 person, $6250/yr. for 2 persons, $7950/yr. for 3 persons, $9750/yr. for 4 persons, increasing by $1800/yr. for each additional person. and may be greater depending on existence of deductions for work-related expenses and other deductions. (2) Same as Harris bill.
B. Exclusions from unearned income.	B. Recipients may exclude from the determination of their income the proceeds of life insurance policies up to $1000; income received too irregularly (according to criteria established by Secretary); private or public assistance based on need; full value of scholarships used for tuition, fees, books, room and board and other necessary expenses; home produce used for home consumption; cost of alimony and support payments made; foster care payments; income taxes paid multiplied by five-thirds; the value of gifts made to other recipients; medical expenses not reimbursed in excess of $120 per person per year; gifts, support and alimony payments received and trust distributions of under $50/yr.; and 40% of all other income. (For earned income exclusions/disregards, see work incentive, below).	B. Recipients may exclude from the determination of their income the proceeds of life insurance policies to the extent they do not exceed burial expenses of insured or $2000, whichever is less; irregularly received unearned income up to $60 per quarter, and irregularly received earned income up to $30 per quarter; private or public assistance based on need; training allowances; value of scholarships used to pay tuition and fees and other educational expenses; home produce used for home consumption; 40% of support or alimony payments received; foster care payments; and net amount of income taxes paid. (For earned income exclusions/disregards, see work incentive, below.)	B. Recipients may exclude from the determination of their income the proceeds of life insurance policies to the extent they do not exceed burial expenses of insured or $1500, whichever is less; irregularly received unearned income up to $60 per quarter, and irregularly received earned income up to $30 per quarter; private or public assistance based on need; training allowances; value of scholarships used for tuition and fees; home produce used for home consumption; one-third of support and alimony payments; and foster care payments. Maximum of student earnings, irregular income, and child care expenses excludable is the lesser of $2000 for a family of four plus $200 for each additional member, or $3000. (For earned income exclusions/disregards, see work incentive, below.)	B. Recipients may exclude from the determination of their income proceeds of life insurance policies up to $1000; value of scholarships used for tuition and fees; cost of alimony and support payments made; income taxes paid multiplied by three halves; the value of gifts made to other recipients; medical expenses not reimbursed in excess of $120 per person per year; gifts, alimony and support payments received and trust distributions of under $50 a year; and one-third of all other income (For earned income exclusions/disregards, see work incentive, below).
C. Resources limitation	C. Permits up to $2000 per person (excluding home, household goods, personal effects, one car, and other property determined by the Secretary to be essential to family's self-support).	C. Permits up to $2000 per family (excluding home, household goods, personal effects, and other property essential to a family's health, well-being, or means of self-support, all subject to maximum set by Secretary).	C. Permits up to $1500 per family (excluding home, household goods, personal effects, and other property essential to family's means of self-support up to a maximum set by the Secretary).	C. Permits retention by family of equity in a trade or business up to $30,000; equity in an owner-occupied home up to $30,000; cash, checking accounts, savings accounts and savings bonds up to $2500 cash value; life insurance policies up to $5000 cash value; automobiles up to $4000; and clothing, furniture and personal effects up to $250 per person. To the extent that family's

C. Resources limitation (cont.)				resources exceed these amounts or to the extent that they have any other property, real or personal, the family is not thereby disqualified but 10% of the amount of such excess and of other property is counted as income each month for purposes of determining the family's grant.
D. Accounting period	D. Based on current need, with means of estimating left to Secretarial discretion, except that expenses incurred in a previous period may be deemed to have been incurred in a later period	D. Based on Secretary's estimate of income for each quarter of calendar year, with attention to family's current needs.	D. Based on income received during previous 9 months, and the Secretary's estimate of income for the next 3 months, without regard to current need.	D. Based on actual income for the previous month, increased or decreased for income received during the previous 11 months in excess of or less than the breakeven point.
E. Coverage	E. (1) Family units of one or more individuals (includes working poor, and individuals and childless couples regardless of whether they are aged, blind, or disabled). Eliminates separate programs based on age, blindness, disability, presence of children or absence of a parent. (2) Family relationships and support obligations are determined by state law applicable to all persons in the state regardless of the possibility that the person to be supported may without such support be eligible for public assistance.	E. (1) Family units of one or more individuals (includes working poor, and individuals and childless couples so long as they are not receiving aid under the separate aged, blind and disabled program). (2) Family relationships are determined by "appropriate" state law: income of persons without a legal obligation to support under state law may not be assumed to be available to other members of the family.	E. (1) Family units of two or more individuals, at least one of whom is a child. Includes working poor. Excludes individuals and childless couples except as they may be eligible for aid to the aged, blind, or disabled. Excludes families headed by a full-time college student. (2) Family relationships are determined by "appropriate" state law: parents of a child or the spouse of a parent, regardless of their legal obligation to support under state law, are assumed to be supporting other members of the family.	E. (1) Same as Harris bill. (2) Family relationships and support obligations are determined by state law; income of persons without a legal obligation to support under state law may not be assumed to be available to other members of the family.
F. Residency requirement	F. Must be a resident of the United States.	F. Must be a resident of the United States for 30 days.	F. Must be a resident of the United States for 30 days (and see Benefits, D. above).	F. Must be resident of United States.
G. Method of determination	G. Simple declaration of need by affidavit (with random audits). Failure or delay in reporting information may be treated as an overpayment (see overpayments, below).	G. Leaves to discretion of Secretary, but permits extensive investigations and penalties for failure or delay in reporting information.	G. Authorizes investigations, and termination of benefits or penalties of up to $300 per quarter for failure to report information.	G. Simple declaration of need by affidavit (with random audits). Has duty to report changes in circumstances.
WORK REQUIREMENT A. To whom applicable	A. All recipients who are determined to be appropriate for work by the Secretary (after notice and opportunity for hearing) except (1) the elderly, ill, or incapacitated; (2) mother or other caretaker of a child under 18; (3) child under 18 or a student; (4) caretaker of an ill or disabled household member; and (5) adult caretaker in a household where another adult in the home, not excluded above, is already working or registered for work/training. Exempted individuals may volunteer for work / training	A. All recipients (after notice and opportunity for a hearing) except (1) the elderly, ill or incapacitated (2) mother or other relative of a child caring for a child under 6 (3) child under 16, or a student; (4) caretaker of an ill or disabled household member; (5) mother or other female caretaker of a child where father or other adult male relative in the home is registered or has accepted work/training; and (6) caretaker of a child where suitable child care services (i.e. meeting Federal Interagency Day Care Standards) are unavailable or remote. Exempted individuals may volunteer for work/training.	A. All recipients (after notice and opportunity for a hearing) except (1) the elderly, ill or incapacitated, (2) mother or other relative of a child caring for a child under 3 (or until 1974, under 6); (3) child under 16, or a student; (4) caretaker of an ill or disabled household member; and (5) mother or other female caretaker of a child where father or other adult male relative in the home is registered or has accepted work/training. Exempted individuals may volunteer for work/training.	A. No forced work requirement.

	(Harris Bill)	(Ribicoff Amendment)	(Title IV of H.R. 1)	(McGovern Bill)
B. Referral to vocational rehabilitation for those not required to register under (A) due to age, incapacity or illness.	B. Voluntary	B. Mandatory - provides incentive allowance of $30/mo. and payment of necessary expenses. Permits refusal of services only for "good cause."	B. Mandatory - provides incentive allowance of $30/mo. and payment of necessary expenses. Permits refusal of services only for "good cause."	B. No compulsory referrals. Relies on existing programs.
C. Penalty for refusal to register for work/training, or to accept vocational rehabilitation services.	C. After notice and opportunity for a hearing, $900/yr. if family has only two members; $700/yr. if family has three or more members; No penalty for refusal of vocational rehabilitation services.	C. After notice and opportunity for a hearing, $1000/yr. for each of 1st two members so refusing; $500/yr. for each of next three members; $400/yr. for each additional member.	C. After notice and opportunity for a hearing, $800/yr. for each of 1st two members; $400/yr. for each of next three such members; $300/yr. for each of next two; $200/yr. for next member.	C. Not applicable--no provision.
D. Protections	D. (1) Requires that Secretary, in determining suitability of job or training consider - degree of risk to health & safety - physical fitness - prior work and training experience - prior earnings - length of unemployment - distance of work from home - realistic prospects for obtaining work based on his potential and availability of training.	D. (1) Same as Harris bill.	D. (1) No suitability provisions other than (2) below.	D. Not applicable--no provision.
	(2) Job not suitable if "good cause" exists to refuse it, including if (a) job is vacant due to strike, lock-out, or other labor dispute; (b) job pays less than higher of Federal/State/local minimum wage, or prevailing rate of pay; (c) job would require registrant to join a company union or refrain from joining a bonafide union; (d) job is not covered by workmen's compensation; (e) job would cause family or individual "undue hardship" (e.g., too far from home, no day care available) (f) individual has demonstrated capacity to secure work better enabling him to achieve self-sufficiency.	(2) Same as Harris bill with exception of (e).	(2) Individual not required to accept work if "good cause" exists to refuse, including if (a) job is vacant due to strike, lock-out, or other labor dispute; (b) job pays less than three-fourths of minimum wage; (c) job would require registrant to join a company union or refrain from joining a bonafide union; (d) individual has demonstrated capacity to secure work better enabling him to achieve self-sufficiency.	
	(3) Requires that no individual be referred for manpower services, training, or employment, until such services, training, or employment are actually available.	(3) Similar to Harris bill.	(3) No provision.	
	(4) No provision.	(4) Where at least 5% of those needy persons available for work are unemployed because of lack of jobs or training in the locality, Secretary shall report such to the Congress with request for funds to increase such opportunities.	(4) No provision.	

E. Public service employment	E. Gives priority to welfare recipients in other Federal employment programs; and includes public service employment in $1 billion authorization for manpower programs.	E. Authorizes $1.2 billion to Labor for development of public service employment opportunities by grants to or contracts with any public or nonprofit private agency. Assures that currently employed persons shall not be displaced. Provides 100% Federal payment of costs during 1st year of employment, 75% during 2nd and 3rd years, and nothing thereafter.	E. Authorizes $800 million to Labor for development of public service employment opportunities by grants or contracts with any public or non-profit private agencies. Wages must be the higher of the Federal/State/local minimum wage or the prevailing wage. Provides 100% Fed. payment of costs during 1st year of employment, 75% during 2nd, 50% during 3rd, and nothing thereafter.	E. Relies on existing programs.
F. Order in which persons registered shall be referred to work or training	F. No priorities specified.	F. (1) First, unemployed fathers, and mothers who are heads of families and who, though not required to register for work or training, voluntarily do so; (2) Second, persons over age 16 neither working nor in training; (3) Third, persons working at least 40 hours per week or 35 hours per week but earning less than $63/wk.; (4) Fourth, all other registrants.	F. To be set by the Secretary, with priority given to mothers and pregnant women under 19.	F. Not applicable--no provision.
G. Authorizations	G. (1) Manpower services, training, and employment opportunities (including public service employment) -$1 billion (2) Supportive services - $300 million	G. (1) Manpower services and training (including supportive services). - $1 billion. (2) Public service employment - $1.2 billion (3) Anti-discrimination activities - $30 million.	G. (1) Manpower services and training (including supportive services). - $540 million. (2) Public service employment - $800 million.	G. Relies on existing programs.
H. Allowances while in job training	H. - $30/mo. incentive allowance. - transportation and other costs directly related to individual's participation in training.	H. Same as Harris bill.	H. Same as Harris bill.	H. Relies on existing programs.
WORK INCENTIVE	(1) Recipient family permitted to keep 40% of earned and unearned income (i.e., welfare payment is reduced by 60% of income). (2) Family can disregard value of all expenses reasonably attributable to the earning of income, including full cost of caring for any member of recipient family, including child care, if necessary to permit recipient to take training or work; all earnings of a child under 14 or a student; and all irregular income.	(1) Recipient family permitted to keep first $720 of earnings, plus 40% of remainder (i.e., welfare payment is reduced by 60% of income over $720). Labor authorized to experiment with different formulas with no safeguards against grant reductions. (2) Family can disregard no work expenses except child care, subject to a maximum set by the Secretary; the earned income of a child who is a student, subject to a maximum set by the Secretary; and irregular earned income up to $30 per quarter.	(1) Recipient family permitted to keep first $720 of income, plus 1/3 of remainder (i.e., welfare payment is reduced by 2/3 of net income over $720). (2) Same as Ribicoff bill, except that disregards for earned income of a child/student, irregular income (earned and unearned), and child care cannot exceed the lesser of $2000 plus $200 for each member of the family in excess of 4, up to a maximum of $3000, annually	(1) Recipient family permitted to keep 1/3 of earned and unearned income. (2) Family can disregard value of work expenses, including full cost of child care.
ADMINISTRATION A. Division of responsibilities between HEW and Labor	A. Same as current law: HEW responsible for determining eligibility and availability for work/training, and making payments (including supplementary benefits). Labor responsible for manpower programs.	A. HEW responsible for initial determination of eligibility and availability for work/training. Thereafter, Labor wholly responsible for families with employable member: HEW wholly responsible for families with	A. Labor wholly responsible for determining eligibility, paying benefits and providing manpower services to families with an employable member: HEW wholly responsible for families without an employable	A. HEW responsible for all administration, with utilization of, to the maximum extent feasible, the administrative and technical facilities of the Internal Revenue Service.

	(Harris Bill)	(Ribicoff Amendment)	(Title IV of H.R.1)	(McGovern Bill)
		out an employable member. States can administer supplementary payments program.	member. States can administer supplementary payments program.	
B. Agreements with states	B. (1) Authorizes Secretary to enter into an agreement to administer medicaid program, with state reimbursing the Federal gov't. for half the cost. (2) Authorizes Secretary, if (1) occurs, to agree to administer all other cash benefit programs based on need (i.e., general assistance) with similar reimbursement.	B. (1) Same as Harris bill. (2) No provision.	B. (1) Same as Harris bill. (2) No provision.	B. No provision.
C. Employee protections	C. Requires that in above agreements rights of state or local employees be protected by "fair and equitable arrangements."	C. Same as Harris bill.	C. No provision.	C. No provision.
D. When program will begin	D. July 1, 1972.	D. July 1, 1972, except for coverage of working poor, which will not begin until Jan. 1, 1973.	D. July 1, 1972, except for coverage of working poor, which will not begin until Jan. 1, 1973. (Administration has requested a one-year delay in the effective dates.)	D. Upon enactment.
RIGHTS AND OBLIGATIONS				
A. Payment of Benefits	A. Benefits to those eligible must be paid within 10 days of application, and thereafter no less frequently than monthly. Benefits of less than $30 a quarter may be paid quarterly. Penalties for delay by Secretary are imposed.	A. Benefits to those eligible are to be paid no less frequently than monthly. Benefits of less than $10 a month will not be paid.	A. Benefits are to be paid to those eligible at such times as the Secretary determines. Benefits of less than $10 a month will not be paid.	A. Benefits to those eligible must be paid within 10 days of application, and thereafter semimonthly. Penalties for delay by the Secretary are imposed.
B. Fair hearings	B. (1) Provides for full due process fair hearing upon request following any action denying, withholding, or modifying benefits. (2) Secretary is bound by hearing decision but other aggrieved individual may avail himself of both administrative appeal and full judicial review. (3) Provides for payment of recipient's reasonable expenses in pursuing such a claim. (4) Provides that benefits may not be denied, diminished or terminated prior to a hearing. (5) Hearings must be requested within 30 days of notice of action and held by the Secretary within 15 days of request. A decision must be issued within 2 weeks of the hearing.	B. (1) Provides hearing in compliance with the requirements of the Administrative Procedure Act. (2) No administrative appeal, but judicial review provided as in Social Security cases. (3) No provision for expenses. (4) Provides that benefits may not be suspended, terminated or diminished prior to final administrative adjudication. (5) Hearing must be requested within 30 days of notice of action, and a decision issued within 90 days of request or 30 days of hearing, whichever is sooner.	B. (1) No statutory provision that hearing must comply with due process, or any particular standards: but Committee Report states that APA standards should apply. (2) No administrative appeal; judicial review limited to questions of law. (3) No provision for expenses. (4) No statutory provision: Committee Report stated that if payments are continued during the hearing process, they are to be considered as overpayments if decision is adverse to recipient. (5) Hearing must be requested within 30 days of notice of action, and a decision issued within 90 days of request.	B. (1) Same as Harris bill. (2) Any aggrieved individual may avail himself of both administrative appeal and full judicial review. (3) Same as Harris bill. (4) Same as Harris bill. (5) Hearings must be held by the Secretary within 15 days of date of receipt of request, and a decision issued within 2 weeks of the hearing.

C. Issuance of regulations/ notification of rights	C. (1) Requires Secretary to notify groups representing recipients of proposed rules and regulations and provide for a public hearing before adoption of such regulations. (2) Requires Secretary to inform recipients of rights, at least every six months.	C. No provision.	C. No provision.	C. Same as Harris bill.
D. Penalties for fraud	D. Misdemeanor, subjects guilty party to fine up to $1000, or up to one year in jail, or both.	D. Same as Harris bill.	D. Same as Harris bill.	D. Relies on existing state law.
E. Obligation of deserting parent/criminal penalties	E. (1) Makes deserting parent civilly liable to Federal gov't. for support and maintenance of deserted spouse and/or children. Two year statute of limitations on authority of Secretary to bring suit to recover such monies. (2) No criminal penalties. (3) Eligibility of family members cannot be conditioned on failure to cooperate with the Secretary in bringing suit to recover such monies.	E. (1) Same liability, but without any authority for Secretary to sue to collect monies owed and without any statute of limitations. Also permits amounts due Fed. gov't. to be deducted from any benefits due the deserting parent under any Fed. program. (2) Makes interstate flight to avoid parental responsibilities a misdemeanor punishable by a fine up to $1000, a jail term up to one year, or both. (3) No provision.	E. (1) Same as Ribicoff bill. (2) Same as Ribicoff bill. (3) No provision.	E. (1) No provision. Relies on existing state law. (2) No criminal penalties. (3) Not applicable--no provision.
F. Assistance from outside parties	F. Individuals may be accompanied at hearing by friends or relatives and are entitled to be represented by counsel or by other persons of their choice.	F. Individuals may choose any person to represent them in hearings and to assist in the application and determination of eligibility process.	F. Representatives must be in Secretary's judgment "of good character," able to "render claimants valuable services," and "otherwise competent."	F. Same as Harris bill.
G. Biennial reapplication	G. No provision.	G. No provision.	G. Requires family which has received benefits for 24 consecutive months to reapply or lose all benefits.	G. No provision.
H. Treatment for incapacity due to drugs or alcohol	H. No provision.	H. No provision.	H. Requires person incapacitated due to drug or alcohol abuse to accept treatment or lose benefits.	H. No provision.
I. Confidentiality	I. Confidentiality of all records guaranteed.	I. No provision.	I. No provision.	I. Same as Harris bill.
J. Overpayments	J. Recovery authorized unless it would defeat purpose of Act, be against equity and good conscience, impede administration or unless family unit no longer has income or resources currently available in the amount by which the Secretary proposes to reduce payments. In no event may overpayments be recovered in an amount that would reduce benefits plus income to level more than 10% below basic allowance level.	J. Recovery permitted unless it would defeat purpose of Act, be against equity and good conscience, or impede administration.	J. Recovery authorized unless it would defeat purpose of Act, be against equity and good conscience, or impede administration.	J. Recovery permitted unless it would defeat objectives of program or produce undue hardship. In no event may overpayments be recovered in an amount that would reduce benefits plus income to level more than 10% below basic allowance level.

MISCELLANEOUS	(Harris Bill)	(Ribicoff Amendment)	(Title IV of H.R.1)	(McGovern Bill)
A. Research and demonstration projects	A. Authorizes one-tenth of one percent of appropriations under this Title, to carry out R & D, provided that no recipient shall be worse off under such a project.	A. Authorizes $10 million each to Labor and HEW for research and evaluations of their respective programs, particularly of various work incentive formulae and of problems of the long-term poor.	A. Authorizes $10 million each to Labor and HEW for R & D into ways of improving the effectiveness of their programs.	A. Authorizes such projects only to find better ways to carry out the provisions of this Act, permitting waiver only of limitations on eligability or amount of allowances under the Act.
B. Third-party payments.	B. Permitted, after notice and opportunity for a hearing, only upon demonstrated mismanagement.	B. Same as Harris bill, except that such payments cannot be made to any family member.	B. Same as Ribicoff bill.	B. No provision.
C. Day care	C. Relies on existing programs.	C. (1) Authorizes Labor, with regard to the children of those registered for work or training, and HEW, with regard to the children of those required to take rehabilitation services, to provide day care services. (2) Gives priority to daycare services provided through other HEW programs, but where these are unavailable, Labor and HEW may, through grants or contracts, provide for such services. (3) Requires day care standards to be no less than the Federal Interagency Day Care Requirements as of Sept. 23, 1968. (4) Permits recipients to be charged for such services. (5) Authorizes, in addition to existing programs for day care, $1.5 billion, plus $100 million for construction of facilities and $25 million for training of personnel.	C. (1) Authorizes Labor, with regard to the children of those registered for work/training, and HEW, with regard to the children of those required to take rehabilitation services, to provide day care services. (2) Gives priority to daycare services provided through other HEW programs, but where these are unavailable, Labor and HEW may, through grants or contracts, provide for such services. (3) Day care permitted to be custodial rather than developmental. (4) Permits recipients to be charged for such services. (5) Authorizes, in addition to existing programs for day care, $700 million, plus $50 million for construction of facilities.	C. Relies on existing programs.
D. Family planning	D. Authorized upon request of family member.	D. Requires family planning services to be made available to all recipient families. Acceptance of same voluntary, and not prerequisite to eligibility for, or receipt of, benefits.	D. Same as Ribicoff bill.	D. Same as Ribicoff bill.
E. Amendments effective immediately	E. None.	E. Additional remedies for state noncompliance, elimination of statewideness requirement for services, lowering of income disregards, waiver of principle that grants be made in form of money payments in some circumstances.	E. Essentially same as Ribicoff bill.	E. None.
F. Special provisions for Puerto Rico, Virgin Islands and Guam	F. Guarantees treatment on an equitable basis with the states.	F. Same as Harris bill.	F. Reduces benefits according to the ratio of the per capita income of each territory to the per capita income of the lowest per capita income state.	F. Same as Harris bill.

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The CHAIRMAN. That concludes today's testimony.

The committee will meet at 10 a.m. tomorrow.

(Whereupon, at 12:10 p.m., the hearing was adjourned, to reconvene at 10 a.m., Thursday, February 3, 1972.)

SOCIAL SECURITY AMENDMENTS OF 1971

THURSDAY, FEBRUARY 3, 1972

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

The committee met, pursuant to recess, at 10:05 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long, chairman, presiding.

Present: Senators Long, Anderson, Talmadge, Ribicoff, Byrd of Virginia, Nelson, Bennett, Curtis, Jordan of Idaho, Fannin, and Hansen.

The CHAIRMAN. This hearing will come to order.

We are scheduled to hear Gov. Nelson Rockefeller first today but the Governor is not here at this time, so we will call the next witness, the Honorable Wilbur Cohen, former Secretary of Health, Education, and Welfare.

Mr. Cohen, we are pleased to welcome you back here as an old friend who labored for many, many years in the vineyards of poverty, social security, medicaid, and medicare. You were one of the early advocates of the abolition of poverty; and we will be pleased to have the suggestions that you might be willing to offer us and your thoughts as to the ways that we might advance this Nation's interests.

You have thought about it for many years—how many years did you spend over there in HEW and Federal Security Administration prior to that?

STATEMENT OF HON. WILBUR J. COHEN, FORMER SECRETARY OF HEALTH, EDUCATION, AND WELFARE; DEAN, SCHOOL OF EDUCATION, UNIVERSITY OF MICHIGAN

Mr. COHEN. Slightly less than 30 years when I was involuntarily retired on January 20, 1969. [Laughter.]

The CHAIRMAN. Pardon me.

Mr. COHEN. Pardon.

The CHAIRMAN. Would you mind repeating that?

Mr. COHEN. I said I was involuntarily retired on January 20, 1969.

The CHAIRMAN. When did you first start working in the social security area?

Mr. COHEN. August 14, 1934.

The CHAIRMAN. That is many years.

Well, I am pleased to welcome one of my litter pickeruppers. I know that you, like I, sort of make it a point to help pick up the litter around the area at least at the time we can find some time to spare. Are you still doing that or have you broken the habit?

Mr. COHEN. I do it every Sunday, Senator. Every Sunday; that is my recreation.

The CHAIRMAN. Fine. We will be pleased to hear your statement.

Mr. COHEN. Thank you very much, Senator, and members of the committee.

I am very pleased to be back here. What I have tried to do, rather than present a long general statement, is to list a series of specific suggestions on matters that I think are still in debate or discussion. I have particularly tried, Senator, to give you my views on the administrative implementation of the program. At least speaking for one former Secretary, I have a very strong interest and concern about not enacting anything that you can't carry out effectively because later on then a lot of dissatisfaction and misunderstanding arises. I will try to give you some specific suggestions as to how some of the different provisions in the bill could be administered.

First, the 5-percent, across-the-board increase in social security benefits in H.R. 1, in my opinion, should be raised to 10 percent for 1972.

Second, a further 20-percent increase in social security benefits should be effective for January 1973.

Third, the minimum monthly social security benefits should be increased to $100 a month, effective January 1973, to $125 in 1974, and to $150 in 1975. Fourth, this could be done by the 5-percent contribution rate for cash benefits on employers and employees, provided in existing law for 1973, put into effect with a $12,000 earnings base for contributions and benefits.

The social security program, members of the committee, is the largest antipoverty program in the United States. If social security were repealed today there would be 11 million more people in poverty in the United States than the 25 million in the present poverty group; and the suggestions that I am making to you are, if you wish to reduce the extent of poverty and welfare in the United States, maximize the way in which the social security program could do this.

There are approximately 5 million people receiving social security benefits now who are below the poverty line. By raising the minimum benefits and increasing social security, you can make a greater contribution to the diminution of poverty than probably any other single act that you could do at this time.

Five, low-income individuals should receive from general revenues a partial refund of their social security contributions, as the chairman has suggested. However, my belief is that the refund should approximate 75 percent of the combined employer-employee contribution and be related to total family income and family size so that every individual will still have contributed something under the contributory system.

Six, the Federal Government should finance and administer assistance payments to the aged, blind, and disabled persons and I suggest the effective date of October 1, 1973, allowing a full year and a quarter

from the probable time of enactment of this law. In my discussion I am assuming that any bill that you report out probably could not be approved by the President before June or July, and that is the basis on which I am making my estimates of the effective date of the new provision. But in the interim the Federal Government should require the States to provide a minimum payment and the Federal Government should finance the entire cost of such a minimum.

The Federal Government should pay part of the cost of any supplemental amounts the State adds to the basic Federal payment. That would give you a "phasing in" that would be effective immediately and then the Federal Government should handle the money payments for the adult categories to relieve the States of this tremendous administrative problem.

Seven, States should be required to restore their payment levels for all assistance programs to those prevailing on January 1, 1971, as a condition for the receipt of any Federal welfare funds under the new bill and this provision should be effective October 1, 1972.

Eight, the Federal law should require and finance a minimum monthly payment for all AFDC recipients, that is, aid to families with dependent children, effective October 1, 1972, and provide for part of the cost of any supplemental amounts the State adds to the basic payment.

Nine, as you know, there is already a working-poor provision in the law enacted in 1961. It is the unemployed parent part. I believe that since not all of the States have that before you go on to any further efforts in the working poor you should make that universal because that is the basis for getting the experience on the work incentive disregard and the levels of payment which, I think, have not been adequately studied. So I believe that the unemployed parents portion of AFDC should be required of all States effective July 1, 1973, as a condition for the receipt of Federal funds for such cases which are on the rolls due to the death, disability or absence from the home of a parent, which has been the law since 1935.

Ten, the State share of both assistance and medicaid costs for 1972 and thereafter should be limited to the total State share of such payments for the fiscal year 1971. I believe this is a much more desirable revenue-sharing measure than any other that has been proposed so far in Congress.

Eleven, you cannot make the workfare part of any kind of welfare reform work in any substantial way unless public-service employment is expanded substantially so that individuals on welfare will have a realistic opportunity to work and improve their economic and social conditions. When you talk about public-service employment, I mean at least 1 or 2 million public-service jobs in order to be able to realistically give individuals who are on welfare a realistic opportunity to work.

Twelve: The plan for covering the working poor under the assistance program should be effective October 1, 1974, but in the interim there should be an opportunity for States and localities to experiment on a wide variety of programs including different levels of disregard of income, various levels of payments relating to size of family, urban and rural conditions and problems relating to full-time and part-time workers, students, and youths.

There are vast, difficult, unsolved problems in the extension of the welfare program to the working poor and no one yet has the complete answer to these questions but I believe that if you gave until October 1, 1974, to work out these problems they could be worked out, making the plan effective on that date but giving Congress the opportunity to make changes; and I would be glad to give you some further suggestions that I have on how to do that.

Thirteen: And I feel strongly about this point: Any plan for including the working poor should include both families with children and childless individuals and couples. If you do not include the childless individuals and couples, then you are putting a premium on having a child to become eligible under the program and, therefore, I believe you must do both simultaneously.

Fourteen: The law should specifically state that when appropriate child care is not available, an individual should not be required to participate in work or training. I believe strongly in adequate child care but it is going to take us in the United States at least 5 to 10 years to make child care completely available throughout the United States. Where appropriate child care is not available it should not act as a bar to the receipt of welfare, and that will give the localities an incentive to set up child care programs promptly.

Fifteen: The emergency assistance provisions in section 406(e) of the aid to families with dependent children law should be increased from 30 to 60 days and apply to all needy persons to give some flexibility to take care of people promptly for a short period of time where they have an emergency. Provision should also be made for a special readjustment assistance payment for nonrecurring needs to widows and disabled individuals to enable them to make special arrangements which might reduce the longrun cost to the welfare program.

Sixteen: Section 2175 is the new law relating to the obligation of deserting parents should, in my opinion, be reconsidered and amounts due a parent under contributory or statutory programs should be excluded from the repayment provisions. I believe if you don't do that you will get into a lot of difficulty by making social security and veterans' payments deductible from future payments.

Seventeen: Medicare coverage should be extended on a contributory basis to a limited number of out-of-hospital prescription drugs, effective July 1, 1974, along the lines of the proposal that I recommended when I was Secretary. I think now is the time to enact it and I hope you would add that to this bill.

Eighteen: Disability beneficiaries under medicare should be covered beginning with the 6th month of their disability. You now begin it with the 25th month of the bill. I think you ought to make it begin with the sixth at the same time that cash benefits become payable; and if you do that will have some small effect in reducing the load on welfare.

Nineteen: The project grants for maternal and child health and crippled children services which expire on June 30, 1972, should be extended for at least 3 more years or else the States are going to be in a very difficult position with regard to these grants.

Twenty: A comprehensive and remedial program of health care of mothers and children under age 6 should be provided through a broad-

ening of the maternal and child health and crippled children services in title V of the Social Security Act. In case you consider any type of health insurance program in connection with this bill, I believe preventive and comprehensive services for mothers and children should be a part of any such measure and in fact should proceed it.

Twenty-one: The provision in section 230 eliminating the requirement that States move toward comprehensive medicaid programs should be stricken from the bill but be considered in relation to health insurance proposals as to what you are going to do in covering people who would now otherwise be under medicaid.

Twenty-two: The medicaid provisions in the bill should be reconsidered in the light of whatever health insurance provisions are enacted by Congress.

Twenty-three: The limitations in section 511 on the scope of social services to be financed and the amounts authorized to be appropriated in section 512 should be eliminated. I also believe the $750 million limitation for such social services for 1973, which you recently enacted last year, should be repealed. You should put no limit on the opportunity to rehabilitate people through social services which, in effect, is what you have done by the limitation that you have written in the present law and the proposal in H.R. 1.

Twenty-four: I believe the present provisions in H.R. 1 providing for separate responsibilities for the Secretary of HEW and the Secretary of Labor on child care provisions are absolutely unworkable in H.R. 1. I believe, therefore, that all child care services in the bill, whatever you do for people who work or don't work, should be administered by one department and preferably the Secretary of HEW. But the split that is in H.R. 1 is an absolutely unworkable provision in terms of my own experience in this regard.

And, finally, because of this fact and because of the very complex arrangements that are involved in the working poor and welfare, I believe it would be worth while to again reconsider putting the handling of the entire program in the hands of a three-person board as the Social Security Board did when you inaugurated the original program. I believe that having three individuals, not more than two of which are from any one party, and representative parts of the country and different points of view, would be a very effective way to administer this complicated program. And so in No. 25——

Senator NELSON. May I ask a question, Mr. Chairman?

The CHAIRMAN. If you will wait just 1 minute, I am going to call on you next.

Mr. COHEN. I would just like to read the last point, Senator Nelson.

Twenty-five: To assure coordinated implementation of the welfare, work, training, child care, and social services provisions of H.R. 1, a board, similar to the social security board, should be established in the Department of HEW to handle all aspects of the program.

The CHAIRMAN. Senator Nelson?

Senator NELSON. Mr. Chairman, first let me apologize to Wilbur Cohen for not being here when he started to testify. Mr. Cohen is one of Wisconsin's distinguished residents and we are pleased to have him here today. I was hoping I would be here in time to introduce him to the committee, although he knows everybody here.

My question concerned the board. Is this three-man board to administer only the pilot project for the working poor, as has been suggested by Senator Ribicoff, or the whole program?

Mr. COHEN. Well——

Senator NELSON. I mean after the program is in effect.

Mr. COHEN. My suggestion is that you create a three-man board to handle all of the welfare program that involves both the working poor, the aid to families with dependent children, the social services, and the child care; I mean the total welfare and related program, not merely the working poor.

Now, there are many interrelationships and I would be glad to discuss them, that are still unsolved; and, in my opinion, although as I understand what I read in the paper that Senator Ribicoff has suggested that this be handled by the reorganization plan committee method for approval or disapproval when the plan came back into effect, I believe there are so many knotty problems that you ought to have a board that gave you a recommendation in January 1974, of how or any ways in which the plan should be changed.

Senator NELSON. This board would be within the Department of HEW under the direction of the Secretary?

Mr. COHEN. That is correct, like the social security board was at the end of its existence; yes, sir. When Mr. Altmeyer was Chairman of the Social Security Board, the board was under the Federal Security Administrator prior to the time of the department and I believe it worked well. You still had the overall political control by the administration, but the handling of regulations and handling of detailed policies on extremely important and difficult questions was thus not resolved by one person but by the discussion among three.

And speaking again on my own experience on controversial matters in the department, I think it would be much better to have three persons resolve them than to put all the heat on one person.

Senator NELSON. I am interested in a number of other questions; however, since they are within the purview of proposals that have been made by Senator Ribicoff, I will let Senator Ribicoff ask them.

Thank you, Mr. Cohen.

The CHAIRMAN. Senator Ribicoff?

Senator RIBICOFF. First, Mr. Chairman, I welcome my friend and colleague. I can categorically state from my experience that there is no man in this country whose opinion in the field of welfare or social security I value more than that of Wilbur Cohen. I think not only is he the most knowledgeab'e man in this Nation and the most experienced but the most dedicated and, from my association with him over many years, Mr. Chairman, he has always played fair; he has always given his best judgment, whether the person asking the question was a conservative or liberal.

Senator NELSON. May I associate myself with those remarks which I should have made myself. Thank you, Senator Ribicoff.

Senator RIBICOFF. Now, apparently you endorse, to a limited extent, the proposals made by the chairman, which I had found very intriguing, The chairman, of course, had advocated—if I may impinge upon your time and probably it would be easier to ask it then you, Mr. Chairman.

The CHAIRMAN. Go ahead.

Senator RIBICOFF. That it didn't make very much sense if you had people in the poverty line earning less than $4,000 to take away from him his social security taxes when he doesn't have enough to eat; so the chairman's proposal has been that the sum $400 representing the employee's and the employer's share of social security taxes be returned to him; the method would be worked out, I imagine, the chairman has in mind, over a period of time.

Now, Mr. Joe Pechman, another individual for whom I have great respect, and Alice Rivlin, who used to be your assistant in this field, I think, are favorable to a proposal such as this but they make another point: It doesn't make much sense either to take from these individuals State and local taxes. I haven't seen a printout on the comuter but there is no question that if the chairman's concept were adopted, in many instances it would eliminate the necessity of supplementing that person's income to that extent; and you can do it by a commuter without social workers and welfare workers and intermediaries; and although the chairman and I disagree on many things, the chairman makes a lot of sense in a lot of matters and not enough people give him credit, I want to say, for many of his good ideas. They just criticize him for what they don't agree with but they don't give him credit for his good ideas. He takes a beating but this is what happens in political life.

Now, you approve of the chairman's concept but you would confine it to 75 percent instead of the entire amount?

Mr. COHEN. Yes. Could I explain that, Senator?

Let us assume just for the moment to make the computations easy that the social security contribution would be 5 percent each on the employee and the employer. That would make a combined rate of 10 percent. My idea would be that the individual would get a refund of 7.5 percent, that is, he would get his own contribution of 5 percent back and half of the difference, so that he actually would get more back than he directly paid in or that was deducted.

virtue of the refund.

protect his rights under the social security systems.

paid in other taxes—let's say State taxes just as an example—and then

Therefore, I support his suggestion completely. If you wish you could on a refund basis through the income tax, I am positively sure of that; and at the same time it would maintain, in my opinion, that he was

Senator RIBICOFF. I am sure the chairman has in mind that you still still a contributory member of the social security program and that is his statutory and legal rights to benefits should not be impaired by in addition estimate what individuals by various income levels have reasonably good way to get general revenue financing into the social

Mr. COHEN. Absolutely.

Senator RIBICOFF. Even though he receives it back? I don't think it was ever in the chairman's mind that that be taken away.

Mr. COHEN. No, and I agree with him. If I understand the chairman's position, the refund would come from general revenues and thus be a give him a refund of any portion of that as well in the social security

I believe that would give him, and it can be very easily worked out refund. In other words, this concept of the refund in my opinion, is security system but on a very specific rather than on a general basis.

a modified concept of the negative income tax but within an orbit that keeps a restraint on it because you have got a definable limit of the liability that you would make a refund on.

Senator RIBICOFF. I know we have one of our distinguished governors here, Governor Rockefeller, and since you are here for the discussion, Governor Rockefeller, I am going to ask you for your comment on this colloquy because I will be very much interested in getting your reaction, sir.

Now, would you, working with Alice Rivlin and Mr. Pechman, take it upon yourself—you never shirked any burdens anybody tried to put on your shoulders—to come up with some language to carry out the concepts of the chairman in the discussion here, whether you at the same time could involve local and State and Federal taxes to the working poor as well?

Mr. COHEN. Yes, Senator.

Senator RIBICOFF. Is this something, too, that could be tried out in the pilot programs that you and I are talking about?

Mr. COHEN. Yes; I think it could.

Let me say there is—it needs a good deal of work because there is one very difficult problem in this and that is what would be called the phase-in.

At any point that you would be giving this refund, let us say, at the poverty or low-income level, you must have a notch provision that enables you to gear this into the higher income group because you wouldn't be giving the refund back to all the people in the higher income group. So there is a good deal of work that would need to be done on working out what I would call the phase-in.

Senator RIBICOFF. Now, looking at your point 12, I would assume that you, too, feel that because of the great complications of folding another 11 million people into the welfare system that there should be a substantial time of piloting this out?

Mr. COHEN. Yes, Senator. I don't know whether the paper was correct this morning that you had suggested something like January 1, 1974. I really feel that you need 2 full years to work this out, and let me tell you why, and this is both from my experience in the implementation of medicare and in the implementation of the unemployed parent programs when I was working both with you and in the Department of HEW.

When you have a pilot project or experiment, you need about a year for the experiment and the results of the experimentation do not come in for 3 to 6 months. You can't get the report on what you did in a year on January first of the following year; it takes 3 or 6 months to get the results in. Then you need to have a group of people come in and evaluate those results because there may be information that is in conflict about different types of experiences or pilot projects, so that is another 3 to 6 months.

Then if that showed that there needed to be some changes made in it, in my opinion, there should be time to work out recommendations from an outside authority as to whether the disregard provisions, the level of payments, the handling of students, youth, part-time people, should be modified in the proposal. So I really feel that any Secretary of HEW ought to really have 2 full years before the plan was effective in order to be sure that he would get it started on the right foot.

Senator RIBICOFF. Of course, at the present time HEW is carrying on some pilot programs; there is one in Georgia; there is one in Vermont and I think there is one in Colorado—just a small sum of money.

I think they committed some $28 million to some of the pilot programs which have not been going long and so they could beef these up. If I may state publicly, one of the men whom I talked with before I came out so strongly for the piloting program was Wilbur Cohen.

I have been concerned with this whole problem and I think that those of us who have served in the capacity as Secretary or Governor or who have had some experience have an obligation to the public not to paper over some of the difficulties we foresee in social programs. I think this is one of the great problems that we have in our society. We never analyze and evaluate the huge commitments we make in advance for social programs on paper and we don't know how they are going to work; and then this is a responsibility that all of us have because I have felt very deeply, Wilbur, many of the programs that you and I have advocated and worked on—there are some 168 programs now that have to do in one way or another with poverty—we came up to the Hill; we fought the fight; the Presidents have wanted them; it was part of their program; it was part of their record and sometimes we do it with trepidation, with concern, whether they will really work or not, but we charge up that Hill and then we commit the American people to billions and billions of dollars without ever finding out what will happen; and then we are stuck with these programs which are self-perpetuating whether or not they are successful.

The Congress is a helpless giant. It passes these programs; it authorizes them; appropriates billions of dollars; and then forgets them. It complains; it carps; it criticizes, but it has no way of evaluating them and that is why I have said to the chairman and here, that I think that in this bill itself I will have an amendment to give the GAO, which is part of the arm of the Congress of the United States, the authority and the funds to independently analyze and evaluate not only past programs but at the request of the chairman or a member of the committee requesting the chairman for a reanalysis and evaluation of many of these large-scale social programs before we commit our Nation to them.

I have felt, and I don't know whether you have shared this with me or not, that if we had pretested medicare and medicaid that the Nation would have been better off with it. We would have known a lot, learned a lot, and we would have eliminated many of the problems. I know you are an advocate of health insurance, and so am I, but I think that here, too, before we go into vast programs costing multibillion dollars, which could reach into $60 and $70 billion involving every one of 210 million people, again we ought to try them out and see how they work and we should have the courage, if a program doesn't work, to eliminate it.

And that is why, during this past week it was my thought in 1970—I went away from the thought—the importunities of the administration, but the more I stop to think about it the more I realize that I was not fair to the committee, I was not fair to the Senate, and I was not fair to my own experience to take blindly a program of such magnitude because from our experience that you have had and I have had, we know that when you deal with people out in the field it is al-

together different than when you deal with theory that comes out of the mind of a well-intentioned individual.

Again, I want to thank you, Mr. Cohen, for your past contributions to this Nation and I know for your many contributions that you will make to this committee and this country in the future.

Thank you, Mr. Chairman.

Senator HANSEN. Mr. Chairman, would the distinguished Senator from Connecticut yield for a question?

Senator RIBICOFF. Certainly.

Senator HANSEN. I am a little bit confused. When the proposal was made, as I recall, and I think I can remember very well and rather clearly, too, the observations of our distinguished colleague from Connecticut in saying had he known then what he later knew, he would not have recommended some of the legislation that involved all of the people of the United States without first having tried it out.

I thought that made awfully good sense. It certainly seemed to me that when we contemplated embarking on a program that is quite a radical depature from what our experiences have been in the past, certainly it would be well to try it out; and, as a consequence, I supported Senator Ribicoff in his calling for a pilot program.

Now, I thought later, and this is the question I would ask of you, sir, I thought later that you abandoned that position and went rather for a program to implement the welfare reform bill then before the Congress?

Senator RIBICOFF. That is correct, in 1970 I was for a pilot program then. I think the tragedy from this country's administration standpoint, which indicates the stubbornness of the executive branch sometimes, that if they had accepted the proffer of the pilot program in 1970, we would have been finished with it by July 1, 1972.

Senator Williams, one of the most able men that the Senate has ever had, and a man for whom all of us have had the highest respect for in this committee, who was unlaterably opposed to H.R. 1, and the welfare concepts intellectually, emotionally, he thought it was wrong and yet he was willing to give the administration an opportunity to test it and pilot it out.

Senator Williams had indicated to me that he would have been willing to even go up as high as $200 million to try this out. The administration refused and as a consequence they found themselves a filibuster in a battle and in 1970 the session ran out and the welfare reform went down the drain.

Then, of course, in talking to the administration they felt this was important and I did not press the pilot program, and I must confess I was uncomfortable about not pressing that, but the more I studied this, and the more I listened and talked to people and the witnesses before us, the more I realized that as far as I was concerned that I was not fair to this committee or to the U.S. Senate or the people or myself not to press a pilot program. We should not make full commitments for entire programs whether it is for a weapon or whether for working poor or health care, without giving them a try. To the extent we commit ourselves to spending many millions of dollars for social programs or military programs without knowing whether it will work or not, we deprive the Nation of the ability to take care of many other priorities to which we desperately must give our attention.

I have nothing to do with the military field except, like you, as a Senator, voting in the Senate. But if I were on the Armed Services Committee I think I would insist on pilots on the programs that came before the Armed Services Committee as I will on matters that come before us.

I think they ought to be tried out.

I think that, as I say, Mr. Cohen, as I look at those 168 poverty programs, $31 billion, my guess is—and I don't know, because we have no way of analyzing and evaluating them—that out of that 168 we could eliminate $11 billion worth of those programs and my hunch is that you wouldn't hurt anybody in this country. But $11 billion divided in this country to the people in poverty would take every person in poverty over the poverty line. This is the tragedy that we have—$11 billion that are going into programs that don't take people off of poverty; bureaucracies are built up; you go through motions and no one is getting anything out of it; if we could take that $11 billion and just give it to people, just give them checks, it would be a lot better than wasting $11 billion on programs that don't give anything because what makes a person poor is they don't have money.

The CHAIRMAN. Senator, could I interrupt you at that point? The committee is going to hold a hearing on these other poverty programs on February 15 to see if it might be better just to pay the money to the poor directly rather than run it through 180 other poverty programs. I want to know what Mr. Cohen thinks about that because he had had a chance to familiarize himself to some degree with these other so-called poverty programs.

Do you agree that a great deal of that money would be better spent directly for assistance rather than running it through the multitude of other poverty programs?

Mr. COHEN. I do think there are other programs for which money is spent which are not of as high priority as giving money directly to people. I would make certain modifications in existing programs. For instance, I will give you an illustration: I would reduce the amount that is being spent under the community action projects of the poverty program. I do not believe that they are as high priority as direct financial assistance to people and I wouldn't want to say that the money was absolutely 100 percent wasted, but I do think we always have to make a priority determination. I believe giving people money that they can spend in their own discretion is more in tune with the present competitive system which enables the individuals to make their own decisions and choices. It gives them a greater sense of personal responsibility and I believe that would be better in the long run for all concerned.

Senator RIBICOFF. That is all, Mr. Chairman.

Senator HANSEN. Mr. Chairman, if I could be permitted just one observation, let me say that as near as I know I think every minority member of this committee subscribed to the proposition that a pilot test program might have been initiated in 1970. I certainly am not able to speak for those on the majority side, although I felt at the time that there were a number of you who would have joined in that effort; and I was regretful—I regretted that Senator Ribicoff, as near as I could interpret it, later abandoned that pilot project proposal and went for

a little different position on the floor. I don't argue at all with the President's objectives in welfare reform. I have stated repeatedly—I stated as a Republican, I think, that this bill would not accomplish those objectives. I just don't believe that it would accomplish those and I won't belabor that point, but I didn't want to leave unnoticed the fact that we felt, those on the Republican side, felt there would be real merit in testing the program.

Now, having said that, I don't mean to say that I am willing to subscribe to Senator Ribicoff's ideas that we pass at the same time a proposal that would make this concept operative by 1974, but I was willing and I know the other Republicans were at the time 2 years ago to give the administration authority to do whatever it wanted to in working out a pilot program.

The CHAIRMAN. I would like to ask that subheading, "Testing of Alternatives to AFDC" that appears on page 368 of the committee report in 1970 appear in the record at this point.

(The excerpt referred to follows:)

Excerpt from Senate Report 91-1431, report of the Committee on Finance to accompany H.R. 17550, the Social Security Amendments of 1970

K. TESTING OF ALTERNATIVES TO AFDC

(Secs. 561 and 562 of the bill)

Over the years, the Congress has enacted a wide range of social welfare programs designed to assure that all Americans, including the needy and the unfortunate, will have the opportunity to obtain at least the basic necessities for a life of decency and dignity. Some of these programs have proven successful. Too often, however, such programs have been enacted on the basis of estimates which later proved to be far too low with respect to costs and far too high with respect to effectiveness.

The committee feels that, in the light of this sad experience, this is not the time to adopt a major new welfare program which has the potential of costing the American taxpayer vast sums of money until such a program and alternative approaches have been thoroughly examined on an experimental basis. Accordingly, while the committee agrees with the generally accepted sentiment that the problems of the present program of aid to families with dependent children are reaching overwhelming proportions, it cannot agree that the present system is so bad that any untested alternative would be preferable merely because it is new or different. The committee bill takes the more responsible approach of adopting a number of changes in the present welfare system designed to correct its worst most obvious defects, while at the same time providing for the testing of possible alternatives to the present system.

The committee bill provides for the Secretary of Health, Education, and Welfare to conduct up to four tests of possible alternatives to the AFDC program. One or two of these tests would test a "family assistance" type proposal for welfare, and one or two of the tests would test a "workfare" type proposal. In addition, the bill provides for a test in which a program of rehabilitation of welfare recipients would be administered by vocational rehabilitation personnel.

The committee expects that these tests will provide a sound basis for rational legislative action in the welfare area.

It is hoped that each test will produce data from which there can be estimated for the various types of programs the cost, extent of participation, and effectiveness in reducing dependency on welfare which could be expected if such programs were adopted as a substitute for AFDC. These tests should also provide valuable administrative experience which would facilitate the implementation of any of the tested proposal which might eventually be enacted.

GENERAL REQUIREMENTS APPLICABLE TO TESTS OF AFDC ALTERNATIVES

In drawing up its proposals for the testing of alternatives to the present welfare system, the committee has profited from the experience of the relatively small-scale income maintenance experiment being conducted with OEO funds in

the States of New Jersey and Pennsylvania. A General Accounting Office evaluation of that project requested by the committee revealed a number of pitfalls which the committee bill is designed to avoid. For example, the GAO report found that an attempt was made to draw conclusions from the New Jersey experiment before it had run long enough to provide a reliable data base to support such conclusions. The committee bill requires, therefore, that all tests be conducted for a minimum of two years unless Congress authorized earlier termination. It is anticipated that such authorization would be requested and granted only if it became obvious that a test in progress was a total failure and would yield no useful results. Other problems tending to lessen the value of the OEO experiment were the limited size of the sample population and the availability to those in the experiment of alternative benefits under existing welfare programs. These difficulties are avoided by provisions of the committee bill which require that all eligible families in the test area be permitted to participate in it and that no families in that area may, during the period of the test, receive aid or assistance under AFDC.

The committee feels that the Department of Health, Education, and Welfare should have considerable flexibility in choosing the areas in which these tests are to be conducted. Accordingly, the bill permits a given test to be conducted either throughout an entire State or only within certain areas of a State. The committee wants to make clear, however, its intention that the areas which the Department does choose for each test should be broadly representative of the country as a whole so that the data from the tests may serve as a reliable basis for future Congressional action.

The committee also desires to assure that the tests will be conducted in such a way that valid comparisons among the various alternatives can be made. The bill, therefore, requires that the Department conduct the same number of "workfare" tests as "family assistance" tests—either one or two of each. In each pair of tests (one "workfare" and one "family assistance") the beginning and ending dates of the two tests must be the same, the number of participants must be approximately the same, and the areas in which the two tests are conducted must be comparable as to population, per capita income, unemployment level, and other relevant factors.

The committee bill also provides that the tests are to be conducted with State cooperation and with State sharing in the costs of the tests. The State share of costs, however, could not exceed its share of the costs under AFDC (as determined by its costs for the test area in the 12 months before the test begins).

To assure that the tests are so designed as to fulfill their objective of providing Congress with the necessary data on which to base further welfare legislation, the bill requires the Secretary of Health, Education, and Welfare to give a complete and detailed description of the test plans before they are implemented to this committee and to the Committee on Ways and Means of the House of Representatives. The Secretary would also be required to give consideration to any comments and suggestions of the committees and to report to Congress at least annually on the operations of the test programs.

In addition, the Secretary would be required in planning the tests and in preparing reports on the tests to consult with the General Accounting Office which also would have full access to the books and records concerning the tests and would itself annually or more often conduct audits of the test programs and make reports to Congress concerning them. At the conclusion of the tests, complete reports with recommendations would be submitted to Congress by both the Secretary of Health, Education, and Welfare and the Comptroller General.

TESTS OF "FAMILY ASSISTANCE" PROGRAMS

The committee bill provides for the Department of Health, Education, and Welfare to conduct one or two tests of "family assistance" programs. Essentially, "family assistance" programs would be similar to the present welfare program of Aid to Families with Dependent Children except that eligibility would not be restricted to families in which children are deprived of parental support because of the death, incapacity, or absence from the home of a parent or because of the father's unemployment. In addition to such AFDC-type families, a "family assistance" program would also cover low income families in which both parents are present and nondisabled and in which the father is working full time, but is not earning a sufficient amount to meet the family's needs as determined by an income standard related to family size.

The "family assistance" tests would provide money payments to families with incomes below certain minimum levels. Non-disabled adults (with certain

exceptions) could not refuse to accept employment or training; and placement, employment training, and supportive services would be provided. In determining eligibility and the amount of assistance, a portion of earnings would be disregarded in order to provide a monetary incentive for work.

TESTS OF "WORKFARE" PROGRAM:

The committee bill provides for one or two "workfare" tests to be conducted at the same time as the "family assistance" tests. A "workfare" program, under the provisions of the bill, would in large part cover the same persons eligible for "family assistance"—but while the "family assistance" tests would follow the traditional welfare approach, this proposal would stress "workfare" as a basis of entitlement for those able to work. A sharp distinction would be made between welfare and "workfare." In effect, a presumption would be made that certain groups (the aged, blind, disabled, and families with preschool age children where the father is dead, absent, or disabled) are not employable. These persons would be eligible for cash welfare payments amounting to a guaranteed minimum income. For all other groups, however, there would be no guaranteed minimum income but only a guaranteed work opportunity, with training and other preparation for employment where necessary.

Thus, the "workfare" proposal would restrict the types of families eligible to receive welfare, and other families with incomes below the specified standards would be expected to participate in the "workfare" program. Participants in the "workfare" program would have their wages supplemented if they are below the minimum wage. Allowances would also be paid to those in training. The policy incorporated in the "workfare" test proposals is that it should always be more profitable for a mother with no children of preschool age heading a family to work than to remain at home and receive welfare payments; and mothers who head families with children of preschool age should be given a choice. In order for this policy to be carried out, large-scale day care and job deevlopment programs must be initiated, and the "workfare" test provisions of the bill provide for such programs, including programs of subsidized public service employment.

One possible way in which the "workfare" test provisions could be carried out would be through an employment corporation created to administer the proposal. It would be the coproration's job to secure employment in the community at least at the minimum wage for persons registering for the workfare program. If jobs could not be found at the minimum wage, the registrant could become an employee of the corporation, which would contract out for his services on a temporary or regular basis. If the corporation charged the employer less than the minimum wage, the employee could receive a wage perhaps half-way between the charge to the employer and the minimum wage. For example, if the employer paid $1.00 per hour, the Corporation could pay the employee $1.30 per hour (half way between $1.00 and $1.60). If after evaluating an employee's improved productivity the corporation decided to charge $1.20 per hour for his services, the employee would receive $1.40 per hour. Once his wages had reached the minimum wage, he would no longer be an employee of the corporation.

An employee of the corporation might be paid $1.00 per hour while in full-time training, or if he is willing to work but there is no job available.

Whether through such a corporation or through some other method of wage subsidization, each "workfare" test proposal would consist of at least these elements:

Welfare payments to those unable to work (the aged, blind, and disabled, and families with preschool age children where the father is dead, absent, or disabled);

A workfare program of guaranteed work opportunities for families headed by a person able to work;

Day care for children of low-income working mothers; and

Other appropriate supportive services.

PILOT PROJECT TO TEST THE ADMINISTRATION OF WELFARE PROGRAMS BY VOCATIONAL REHABILITATION PERSONNEL

In recent years, analogies have frequently been drawn between those who suffer from physical disabilities and those whose lack of cultural or educational background places them at a substantial disadvantage in competing for jobs in the labor market. The committee agrees that these analogies have a certain validity in that both groups are in a very real sense handicapped.

Further, the committee is impressed with the extent to which personnel engaged in the profession of fostering vocational rehabilitation have been able to motivate the physically disabled with the desire to overcome their handicaps and have been able through such motivation and through training to restore disabled individuals to useful, productive, and independent lives. Unfortunately, public assistance and manpower agencies have often not had similar success in rehabilitating welfare recipients. The committee is not sure that the welfare group will be as susceptible to rehabilitation techniques as the less socially deprived segments of the population which have generally constituted caseloads of vocational rehabilitation agencies. The committee bill, therefore, authorizes a pilot project designed to find out whether the methods and attitudes of those who have been successful in rehabilitating the physically disabled can be applied with equal success to welfare recipients.

Under the provisions of the bill, this project would be run concurrently with the first "family assistance" and "workfare" tests and in a comparable area. AFDC payments would be suspended in the area for the duration of the test, but equivalent benefits would be provided to those who would otherwise have been eligible for AFDC. In administering the project, the Secretary of Health, Education, and Welfare is directed to use the personnel and facilities of the Rehabilitation Services Administration. The objective of the project is to encourage and assist adult individuals with a potential for work to prepare for and obtain employment. Necessary counseling, rehabilitative, and other services would be provided together with appropriate job training.

The "workfare" and "family assistance" test provisions relating to reports to Congress and requiring consultation between the Department and the committees and the Department and the General Accounting Office are also applicable to this pilot project.

The CHAIRMAN. The committee voted to have a pilot program and to test out this as well as some alternatives to it, to see which would work the best and rely on that experience to move forward.

Unfortunately, the reason it didn't become law was because the administration, the then leadership of HEW—it wasn't you, Mr. Cohen—but those in charge told us they didn't want the test. Furthermore, it is not a matter of official record but you and I and everybody on this committee knows that the reason—one reason—the House wouldn't even talk about the bill was because of the disappointment over in HEW about failure to obtain some advantage in implementing their plan caused them to do nothing whatever to encourage the House to meet with us in conference. In fact, my impression was that they encouraged the House not to go to conference with us and played their role in preventing the aged, the disabled, the blind, and even the little children from having $7 billion of benefits that that bill contained. The aged and the disabled and the blind have all been held hostage for nearly 2 years. Frankly, to those of us who were willing to cooperate to the extent that we conscientiously could, it didn't help a bit that those who wanted the thing didn't have enough confidence in it that they would risk putting it to a test.

Mr. COHEN. Could I say this, Senator? I am very strong for putting a date certain in the legislation when the plan would be effective. I think if you only have a pilot project that just could disappear in the distant future somewhere you are not going to get the kind of effective support from the Governors, the mayors, the bureaucracy in making it effective. I want to argue very strongly, select any date that you want; put it in the law; have a pilot, experimental project, have a mechanism in the law for getting a report from the General Accounting Office, as Senator Ribicoff suggests. Mr. Staats is familiar with these matters; he will make a very great contribution to it. Appoint some other kind of committee of Governors or, as I suggested, the Social Security Board or former Secretaries who have some experi-

ence in the administration of those programs and have them make a report to you before that date certain becomes operable; and I think in that way you would get the best kind of administrative implementation of the experiment.

The CHAIRMAN. Well, suppose it proves to be a bad plan and doesn't work? What difference does it make whether you have had good administration or bad administration of it? Why should you put it into effect if the papa of the plan and the mama thinks it is a good idea but nobody else does?

Mr. COHEN. You wouldn't have to, Senator. I have great faith Congress will be here on October 1, 1974, and I think you will be here and if the plan and the experiments have not been successful you will be perfectly free to extend that date or modify the date or the provisions.

In my opinion, when you have these pilot projects—and there are quite a lot of them in the country—highly theoretical and nobody thinks they will go into effect—you don't get the kind of participation that is necessary to make them successful.

Senator HANSEN. Mr. Chairman——

The CHAIRMAN. I wanted to call on Senator Talmadge if you are through.

Senator TALMADGE. I have no questions, Mr. Chairman, but I would like to make this comment only: I see no necessity in having a pilot program on something that the law provides a date certain for its operation. We all know the mechanism of business in the Reorganization Act; it requires the legislative body to act by a time certain; it requires a negative act rather than a positive act. The Constitution requires the Congress to make laws but that particular Reorganization Act is an executive function; Congress would be exercising in the veto of a law.

Under the rules of the Senate any two or three strong-minded Senators by filibuster alone could prevent the Senate from acting by a date certain.

Mr. COHEN. Could I comment on that, Senator Talmadge?

Senator TALMADGE. Certainly; you are an expert in that field. [Laughter.]

Mr. COHEN. I would like to suggest that you have two strings on your bow: One would be the reorganization plan approach that Senator Ribicoff has suggested but the other is to write into the law a mechanism for getting a report on the operation at the end of the first year with suggestions from people like Governors or former Secretaries as to what changes should be made; have that report come to the Ways and Means Committee and the Senate Finance Committee by, let's say, January 1974, and then you would have 9 months to make any changes, extend the date, repeal it or whatever was indicated by the results, and I would not have such a report come in from the Secretary of HEW or someone from the administration who was already committed to the principle, but from some kind of an independent group like the Social Security Board, Governors, Secretaries or something else, then Congress would still have the initiative.

Senator TALMADGE. Why do you want to abandon the constitutional vote?

Mr. COHEN. I do not, sir.

Senator TALMADGE. No? We legislate; you want us to veto after we legislate?

Mr. COHEN. No, sir. I am saying——

Senator TALMADGE. You want us to pass a program, fix it for a time certain, whether the pilot program proves it has merit or not, and then even if it doesn't have merit then we have got to take other action, not legislative in nature but in the nature of a veto.

I have grave doubts if this Reorganization Act were tested in the courts that it would be upheld. As I construe the Constitution of the United States, the legislative power is vested in the Congress but you would vest us with a negative function that is normally exercised by the executive branch. The executive branch has the power to veto. Of course, the U.S. Senate has the power to reject confirmation of officers but I know nothing in the Constitution of the United States that authorizes the Congress to make law by negative action.

Mr. COHEN. All I am suggesting, irrespective of that issue, and I respect your opinion on that, but what I am saying, notwithstanding that issue, still write in some method by which the Finance Committee would still have the opportunity to make changes before the plan went into effect. I think that is consistent with your view that Congress, acting through this committee, would be able to change it.

Senator TALMADGE. We have that right under traditional authority. I voted for a pilot program in 1970. This plan may work and it may not. If it does work I would be willing to support it; but I am unwilling to say let's try it and pass it anyhow whether the pilot program indicates it will work or not. I am not willing to go that far.

Senator HANSEN. Mr. Chairman, if I could say just one word, and that really is all that is required, because Senator Talmadge has expressed my major misgiving, I would point out additionally, if this plan is half as good as its proponents believe it to be, I cannot think that the Congress would fail by 1974 to adopt it. If it is able to deliver, as I am certain they do sincerely believe it is, I should think that there ought to be no question as to its acceptability by the American people and if, having been given the opportunity to prove itself, if it is good, it certainly would be adopted; and if it isn't good then I should think we would all be mighty thankful we didn't have to take this negative vetoing action which, as the Senator from Georgia has pointed out, could easily be frustrated by a few people through all of the rules of the Senate to deny the Senate ever the opportunity to vote up or down.

Senator TALMADGE. I want to make this further contribution, if the Senator will yield: The Reorganization Act has no cloture provision in it, so two or three strong-minded senators could prevent the Senate from exercising its will during that period; so it is thought with fallacy.

The CHAIRMAN. Senator Anderson?

Senator ANDERSON. You made a very fine presentation. The Governor of California made a very fine talk the other day and I am anxious to hear the Governor of New York testify later today because he has a very wonderful record. I will not attempt to ask questions but I do hope we have some time for these Governors to make their testimony here in public.

The CHAIRMAN. I would want to ask a couple of questions before you step aside, Mr. Cohen.

One: In the area of public service employment, we had some testimony of one of the problems that will come up with regard to public service employment.

Now, in Cleveland, Ohio, it was pointed out by a witness that because of pressure on the city budget, they had had to dismiss a great number of people from the public payroll. So they just went back and rehired under a Federal program all those people who had been terminated because of pressure on the city budget.

Now, admitting for the sake of argument that those were people who could well fill the jobs and are well qualified, if we are going to take that approach when we make public service jobs available, we will be bypassing fathers with eight or nine children who desperately need the job in order to support his children.

If it is the poor you are thinking about you had better require that potential employees be people who have a given number of children rather than create 200,000 public service jobs and find that half of them went to single people who could have obtained a job anyhow. Now, do you think we ought to, in creating these public service jobs, particularly the ones that would pay $5,000 or $6,000 a year, try to carmark those for the poor or should we let a fellow making $5,000 a year grab off the job making $6,000?

Mr. COHEN. Senator, with your help, in 1967, if you will recall, you and I worked out a provision which is in the law, section 442, which has never really been well implemented and I would like to again draw it to your attention.

This had to do with the special work projects then which were public service employment in section 442, and we worked out this arrangement that each panel—it says:

> **The Secretary shall make an agreement with any state which is able and willing to do so under which the governor of the state will create one or more panels to review the applications, and each panel shall consist of not more than five and not less than three members appointed by the governor, one of whom shall be a representative of employers and one of employees and the remainder shall be representatives of the general public.**

I believe on public service employment what you want to do is utilize this provision to say that in each State and in each locality there will be a panel and that they must review this situation with regard to the referral of these people who are poverty or low-income people.

Now, I recognize a lot of people didn't want to give the Governor that degree of political control over these but I think you have got to realize that if you are going to have public service employment, some kind of employer-employee-public review of these people is the only way you can prevent the Governor or the mayor from just, you know, replacing people who are already on the budget; and this would be the suggestion that I would suggest to end that.

The CHAIRMAN. That section was repealed as part of the Talmadge amendment since no use had been made of it. Maybe it should be enacted.

Mr. COHEN. I understand it was repealed in the Talmadge amendment and I feel its repeal was very unfortunate. I recognize section

442 was not implemented. I found it very difficult to get the Labor Department to implement it. I believe it should be reinstituted in connection with the public-service employment recommendations that Senator Ribicoff has made and there be a method to assure that the jobs go to the poor and those on the welfare rolls.

The CHAIRMAN. It would seem to me we could simply provide that there be a preference to persons who had more than three children to support.

Mr. COHEN. I don't think that is enough. I think that some preference for those who are on welfare should be given but I think the only way in the local communities that you are going to get some local support for effectively implementing public service employment is to enlist the support of labor, employer, and public people. A lot of the jobs in public service employment are going begging at the present time. That is because there has not been, in my opinion, a satisfactory local initiative to see how they will be implemented. That is one of the reasons why Governors and mayors have used them for replacements of jobs that were cut in the budget.

The CHAIRMAN. You indicate here that you don't think a person should be expected to participate in work or training unless child care is available.

Well, you and I are aware of how filthy most of these so-called ghetto areas are. Wouldn't it be fair to call upon a family, even if it is headed by a female, to at least sweep up the sidewalk in front of their own house? That is something that I was taught to do as a child, get out there and sweep up, clean the sidewalks; clean the place up in front of our own house; a person doesn't have to separate themselves from their child to do that.

Mr. COHEN. I think, Senator, the bill amply provides incentive for what is called family day care, as distinct from institutional-type day care. I think that it is possible for many of these persons to engage in work and training programs and every indication is that large numbers would want to.

All I am saying is that we should not do anything that involves the parent not exercising parental responsibility for the care of the child if there are not adequate arrangements for the children.

The CHAIRMAN. Well, now, if we are going to pay this mother money, public money, don't we have a right to require that she do something, if only to sweep out her own house or to wash her own dishes or change her own baby's diapers? Don't we have a right to expect something for the money?

Mr. COHEN. Well, the difficulty I see about that is you would have to triple the number of investigators and social workers in order to check up every time she is changing the diapers. [Laughter.]

I really don't see how you can do that, Senator.

The CHAIRMAN. Let's just take the standard operating procedure. You go in the house and there is no milk in the house; the icebox is full of beer. Now, wouldn't it be fair enough to require that some of this money be used effectively for the benefit of the child and that the person do some of the things you have a right to expect of her?

Mr. COHEN. There are already such provisions in the existing law, Senator, but the difficulty is how do you administer them? You can-

not be in every home, bedroom, and place that the mother, the father, the children are. I think you are suggesting something that is absolutely opposite of what Senator Ribicoff has been suggesting, which is, give the family the money and try to make them responsible for carrying for themselves.

The CHAIRMAN. Well, it would seem to me if you are not going to require anything for what you are paying, and you get it, it is going to be pretty much of just a matter of happenstance. I would say it is a cinch you are not going to get anything for your money in many of these cases if you don't at least start out by trying to get them to do what you think they ought to do.

Mr. COHEN. You know, Senator, every time the end of the year comes around I feel I have wasted about 25 percent of my income during the last year because of what I did wrong and I could have spent my money more wisely. But I don't want anybody telling me how to spend my income even if I spend unwisely. I think, therefore, you have exactly the same principle here. If you want to develop a sense of self-reliance and independence of people, you have got to let them make their own mistakes. I know of no other solution than that. If we think that the millennium has arrived by giving people money that they are going to be all good and kind and benevolent and not make mistakes, then I think we are working on the wrong assumption.

The CHAIRMAN. Let's suppose the money is theoretically paid for the benefit of the child to begin with.

Mr. COHEN. Yes, sir.

The CHAIRMAN. Now, suppose the indications are that the child is not getting the benefit of that money.

Mr. COHEN. There is a provision——

The CHAIRMAN. The child is malnourished and the mother is so fat she couldn't get through the door.

Mr. COHEN. There is a provision in the existing law which says when that happens you may provide the money be given in kind to the mother or you may go to the court, which is the duly authorized method of handling parental neglect. I think that is the way it ought to continue to be.

The CHAIRMAN. I would like to ask you about your suggestion No. 15. You suggest here that there should be a special readjustment assistance payment for nonrecurring needs to widows and disabled individuals to enable them to make special arrangements that might reduce the longrun cost of the welfare program. Would you mind elaborating on that somewhat?

Mr. COHEN. Yes, sir.

I think you have two types of special cases in the welfare program: One is the case where the husband dies leaving a woman with, let's say, three or four children and there has to be a complete readjustment in that life. The woman may have to sell her home; she may have to move in with some other relatives. There may be a long period of illness that used up all the resources of the family. She may have to be retrained to go to work. There may be—if it was a workmen's compensation case—there may be controversy over the settlement. I believe that in the death cases if you were to make a nonrecurring payment to the woman so that she could move or do whatever she felt was in the

best interests of herself or her children rather than paying her, let's say, $200 a month, which does not enable her to make the big shift that she needs. You could probably get her off the welfare rolls faster. Instead of her being on the rolls 3 years she might only be on a year and a half or two if she could make the adjustment she felt was in her and her children's best interest.

The CHAIRMAN. Do you think there is a basis for treating somewhat differently the case where the father and breadwinner of a family dies and the case where the mother reports that the father has left?

Mr. COHEN. Well, I want to say this: First, you already have a provision for nonrecurring need in section 529 in the bill. That is what gave me the idea, and I believe the idea that is in section 529 is good; but it involves only a payment of $50 or more.

Let's say the mother comes in and says, "I would be willing to go out and live with my elder son or my brother-in-law or my sister," and she needs a $200 or $300 transportation payment or she has got to do something to sell her home or pay her medical bills. I think it is not realistic or put it this way, if you just say to her, "Well, we will put you on welfare for $200 a month." It does not give her the financial opportunity to make that adjustment that I think is necessary and, therefore, I think you should have this concept of the nonrecurring single payment, and also for the disabled person.

Now, a disabled person many times might want to make an adjustment in where he lives or what he has done, and I believe the concept in section 529 of a nonrecurring payment would be well worth the cost and reduce the welfare costs in the long run.

The CHAIRMAN. In other words, you have got a lot of successful families where there is a very severe temporary emergency created by the death of the husband and where that family will probably be able to readjust and get by without much help, but they are going to need help for a year or so?

Mr. COHEN. I will give you another case, and it happened in New York City recently.

A woman who had been working had three children and her house or apartment burned and she was forced out. Now, there is that kind of a catastrophe that occurs; she was trying to be self-supporting but she had to go to the welfare department. There was no other resource; she lost everything; she was willing to go back to work but she needed—the only recourse she had at that time was to apply to welfare and for them to put her in a hotel. Well, now, that woman needs several hundred dollars to reconstitute that family's living arrangements, in my opinion, on a nonrecurring payment. It took her about 2 weeks to get that whole thing worked out.

She had three children. That is the reason why I favor a very strong provision for the emergency assistance, as I said, for 60 days and the nonrecurring need.

If you give a person when the need occurs a boost at that time, I think you could prevent them from being on the rolls for a long time.

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

Senator RIBICOFF. Mr. Chairman, I ask unanimous consent that the matter he refers to was a story that was printed in the New York Times, that that item from the New York Times be inserted in the record at this point.

The CHAIRMAN. Without objection, agreed.
Thank you, Mr. Cohen.
(The article referred to follows:)

[From the New York Times, Jan. 22, 1972]

WELFARE MAZE TRAPS A PROUD MOTHER

(By Joseph Lelyveld)

Mary Ann Pistorio had the first of her five children when she was not quite 16 and the last just five and a half years later. Immediately then she went looking for work and found a job as a "store maid," vacuuming and dusting in a fancy chinaware shop.

By then, her husband had vanished from her life and she was the sole support for a family of seven—herself, the children and her mother, who looked after the children while Mrs. Pistorio worked.

She has worked ever since, usually at two jobs at the same time and once, for a long, aching winter, at three jobs—as an operator for two different answering services and a part-time sales clerk at Gimbels. Last May she took her first week off in six years.

It sounds like a cheerless way for a young woman to pass her prime years. But, as Mrs. Pistorio tells it, they were good years, for through all the drudgery, she was opening up her world and proving to herself what she could do.

Somehow her pride in her ability to survive on her own was conveyed to her children, who never learned to think of themselves as deprived. So confident were they of their mother's ability to provide, they periodically staged mock "strikes," falling over themselves and giggling as they marched up and down their narrow railroad flat with picket signs demanding new sneakers or toys. Always she would capitulate.

Then on the morning of Jan. 3, about 10 minutes after Mrs. Pistorio left for her current job as an adjuster at B. Altman's, a two-alarm fire swept through the apartment at 1492 Lexington Avenue, 97th Street. By the time it was extinguished, the Pistorios were virtually as destitute as refugees from Bangladesh.

All they had left in the world was the clothes on their backs, a coin collection account with a balance of $7.42.

Through all the years Mrs. Pistorio had worked, she had been vaguely aware that she was eligible for more money from the Welfare Department than her jobs paid and that if she continued working, the department was still supposed to make up the difference. But welfare meant humiliation to her, so she never applied.

Sometimes her children had to wait longer for new shoes than their friends. "But," she said, "I felt proud that my kids could say I worked for it." Now, after the fire, she was forced for the first time to admit she could not do it all herself.

With gratitude but extreme discomfort, she accepted $100 from St. Francis de Sales Church and another $100 from the Parents Association of Public School 198. She also accepted a $150 voucher from the Red Cross, which offered to place the family in a hotel the night of the fire.

Instead, they all piled into the apartment of a man she had been dating for more than a year, though there was only one single bed there and a couch.

Her embarrassment over the help she accepted was nothing to what she felt the next morning when, at the urging of a Red Cross worker, she went to the welfare center at 225 West 34th Street.

That visit marked her first step into a maze from which she has yet to emerge. For the next two weeks, officials shunted her from office to office on the strength of regulations that often proved to be specious.

The first clerk who saw her at the center, Mrs. Pistorio said, asked no questions about her income but declared: "You're a working person. We can't help you." All he could do, he said, was offer her a 35-cent token to go to the Department of Relocation; she refused it.

At the relocation office at 169 West 89th Street, an official recorded the details of her situation, then told her to wait five days and call the Emergency Housing Bureau in the Bronx, which would have her file by then.

Then a staff counselor at Altman's intervened, urging her not to give up on welfare. Mrs. Pistorio had been able to get by on a take-home pay of $94 a week because the rent on her five-room apartment had been only $68 a month. To the counselor, it was obvious she would not find an apartment now for her big family at twice that rental.

Altman's could make her an interest-free loan and sell her shoes at cost for her children, she was told, but a welfare subsidy would be indispensable. So Mrs. Pistorio returned to the welfare center and filled in a form called an "affidavit of need." Question 11 on the form asks whether the applicant will help obtain support from an absconding parent. She checked the box "no."

IMPASSIVE OFFICIAL

She had got by, she said, without a dime's help from her former husband all these years. Out of pride and other strong personal reasons, she did not want to turn to him now or see him in court.

The official across from her listened impassively as she explained those reasons, which was like scraping an old wound. The only comment the official made was to tell her to go back to the relocation office.

The Altman's counselor called the welfare office to find out what had happened and was told the former husband would definitely be brought to court. Told this, Mrs. Pistorio said she could do without welfare. "I can always get a second job," she said.

Without stopping to calculate the cost, she called the welfare center and asked that her application be withdrawn. She did not know it, but the chance of the court struggle she feared was negligible. Procedure 71-26 of June 7, 1971, tells caseworkers not to act on nonsupport cases when the missing person is "a habitual deserter who never contributed to the support of the spouse."

At her next stop, the relocation office in the Bronx, she was told that all the apartments on the department's lists costing less than $250 a month were in neighborhoods where, as she recalls its being put, "you wouldn't want to live." The others cost so much they would take 75 per cent of her income, or more.

When she said she could not possibly afford them, she was given an application form for public housing and referred back to the Welfare Department.

Unburdening herself of a major anxiety then, she asked if her family could be placed in a hotel, after all. Her mother and boyfriend were quarreling in their cramped quarters; the family, she said, had to move. As she recalls it, she was told, "If you didn't take the offer of a hotel in the beginning, you can't have it now."

That was incorrect, as a Red Cross worker discovered when she checked. The worker referred Mrs. Pistorio back to the West 89th Street office and said she would be helped there.

According to Mrs. Pistorio, the first person she contacted at that office said, "If you needed a hotel, your records would have been sent back from the Bronx."

She had heard of an apartment near her old address she could have for several months—until the demolition of the building. So, desperate now to get into a hotel, she said that she only needed to be kept there until a new apartment she had found was ready.

Finally she was told she could have two connecting rooms at the Great Northern Hotel, on West 57th Street, until the following week. Then, she said, she was told that if the apartment she had found had not come through, she would be shown three others on the department's lists and if she failed to take any of these, she would be put out of the hotel.

In fact, the Relocation Department is required to house families in the circumstances of the Pistorios for 30 days. After that, the Welfare Department is authorized to spend up to $275 a month to house a family of seven.

"She is not hip to welfare," commented an official who heard of her case. "She doesn't know the game. It happens all the time. But if she's strong and holds out in the hotel, they'll have to find her a decent place."

Mrs. Pistorio and her family are now in their ninth day at the hotel at a cost to the city of $39 a day. Yesterday, the Relocation Department gave her some addresses in the Crown Heights section of Brooklyn to check out, and a welfare official offered to help her with any problems she might have. But

her tentative plan is still to move to the building that is going to be torn down and look for a second job.

She has not yelled or cried in any of the offices she has been in. Her children, who have not missed a day of school on account of the fire, have not been crying over their losses, either.

"I don't know how," she said, "but we'll find a way out of this. That's what I tell the kids. When they say they miss their toys, I tell them they'll get new ones. I always try to show them the bright side, like I told them: 'I lost two pairs of leather boots. So what? I didn't need them anyway.'

"I said, 'It's raining today and leather boots are no good in the rain.'"

The CHAIRMAN. We are now pleased to have Gov. Nelson Rockefeller of New York as our next witness.

Mr. COHEN. I was glad to be backed up by Senator—Governor Rockefeller. [Laughter.]

The CHAIRMAN. Governor, we scheduled you for the first witness today and you were late.

Governor ROCKEFELLER. I was late.

The CHAIRMAN. You had pressure of business which kept you from being here and therefore we called Mr. Cohen first and we appreciate your being here.

Senator HANSEN. Mr. Chairman, if I could be permitted just a moment of interruption, let me say that all of the Republican members of the Senate are in a policy conference meeting this morning, Governor. Chairman Long called over to apprise us of his concern not to have you testify without at least one of us present. I wanted you to know that as quickly as that conference is concluded you will find a full membership represented.

We certainly recognize the importance of your expertise and your great experience and I speak for those members absent on my side in saying that I know they regret very much that this other conference was scheduled and prevents their being here at this time.

STATEMENT OF HON. NELSON A. ROCKEFELLER, GOVERNOR OF THE STATE OF NEW YORK, ACCOMPANIED BY BARRY L. VAN LARE, EXECUTIVE DEPUTY COMMISSIONER, DEPARTMENT OF SOCIAL SERVICES, NEW YORK STATE

Governor ROCKEFELLER. Thank you very much.

Mr. Chairman and distinguished members of the Finance Committee, I would like to express my deep appreciation for this opportunity to appear before you many distinguished and old friends here and to say how deeply grateful all of us are for your holding these hearings and for giving us the opportunity to explore these important questions.

I think perhaps first I would like to say that I totally and completely support Senator Ribicoff in his comments about Wilbur Cohen. I share those views without dissent. I think Wilbur Cohen is indeed the leading authority and a man who has dedicated himself more completely to this subject more than any one I know and he has been a close counselor of mine over the years.

I should then have to go and be equally frank and say that I deeply regret that Senator Ribicoff dropped out on his tremendous support of this program, that I thought his amendments were excellent. We were very enthusiastic about them.

Senator RIBICOFF. I didn't drop out on anything, Governor Rockefeller; I am still for them. I would like your support. I am for each and every one of my amendments to H.R. 1 and I am going to need your support to put them across. I would gather I don't have very much support for them on the committee.

The only difference is, the working poor program that goes into effect January 1, 1974, which is some 2 years from now; there is ample time to test that out to see whether it works or not; and I will continue my fight, either here in the committee or on the floor, for my amendments that are offered to H.R. 1 now.

Governor ROCKEFELLER. Good; excellent.

I do not have to say I listened with great interest to the discussion about pilot programs. We have been in this field now for 40 years. Some of us who were in HEW also, and who have been in Governors' chairs, as I have for 14 years, are a little concerned about talking about pilot programs right now when we are in the middle of a crisis; and I listened very carefully to what Senator Ribicoff said and while I understand the logic of his statement, I have got to say, perfectly frankly, I don't think it applies in this case.

I completely disagree with him and I think that a pilot program at this time as described in this conversation is merely a means of postponing action in a period of crisis and I think it is extremely serious; and I have a feeling that if we do we are going to be fiddling while Rome is burning.

I would just like to pose the question: What do the 11 million people who are going to be benefited by the program and get for the first time an opportunity to have some support, what are they supposed to do while we make further studies, just sit there and starve or are they going to move to New York? [Laughter.]

Governor ROCKEFELLER. I am serious about this. We are in a very critical situation and we can't stop receiving people who can't get it in other areas and we just went to the Supreme Court with a case where I had vetoed a 1-year residency 10 years ago; I proposed it this last year; it was passed by our legislature, went to the Supreme Court and they refused to consider it.

We have no way of stopping this flow that is coming into our State and while you may be sitting here studying and doing pilot projects, the poor people who need the help are not going to be benefited by the pilot project and we are going to be further swamped; and I would just like to say our costs since 1958 in New York State, total costs, have gone from $446 million to $4 billion.

The CHAIRMAN. What period is that, sir?

Governor ROCKEFELLER. That is 1958 to 1972.

Unfortunately, while I have been Governor——[Laughter.]

I was not identifying that.

Senator RIBICOFF. Are you aware, Governor Rockefeller, there is another amendment that I put in which freezes the State costs at the 1971 level and which requires the Federal Government to assume all the State costs over and above your 1971 level? Are you aware of that?

Governor ROCKEFELLER. That would be very helpful if that were passed but it does not go to the heart of the problem which I would like to discuss here today, which is that we have——

Senator RIBICOFF. No, you criticize me and I think——

Governor ROCKEFELLER. I didn't criticize you; I said I disagreed with you.

Senator RIBICOFF (continuing). But you talk about what happens with the pilot program; even the President's program in H.R. 1 does not go into effect until January 1, 1974, and you are talking about doing something for those people now. There is nothing in H.R. 1 now that does anything for the working poor until January 1, 1974, anyway, so that gives us a chance to try it out.

Governor ROCKEFELLER. If——

Senator RIBICOFF. You see, there are two parts.

Governor ROCKEFELLER (continuing). If the program goes into effect.

Senator RIBICOFF. The problem you have, Governor Rockefeller, is this is a complex bill and there is no reason why everybody should understand it. The bill is divided in two dates. There is one date that takes care of the problem affecting the present people on welfare that goes into effect on July 1, 1973. That affects some 14 million people in this country. Each and every one of my amendments that affects those 14 million people, and these are the people on present welfare rolls, I am for each and every one of my some 20 amendments to H.R. 1 to alleviate their burdens, in addition to taking care of the problem of the States which have these dire distresses and with the residency rule; so it is a national problem of the Federal Government freezing the costs of the States on the 1971 level and taking off your shoulders federally all costs above 1971.

Now, the President has also put in what he calls the working poor provision that affects some 11 million additional people to the 14 million. This is a program that we have never had in the 40 years you are talking about and never tried, although some States—New York has had some implementation on that program—you are one of the exceptions. That provision goes into effect under H.R. 1 on January 1, 1974.

Since this is untried, and we have never had it, it is my contention that since it goes into effect on January 1, 1974, we have ample time to test it out and take out all the bugs out of the program before it goes into effect.

Now, that is what I am talking about and I don't know whether you are talking about the same thing or not.

Governor ROCKEFELLER. Well, Senator, if we applied the fundamental principles which you enumerated to all of the legislation, as you suggested it might well be done, that is, considered by the Congress, this might be a very wonderful thing for our country. But I would like to say that I testified before the Blatnik committee on a bill which came over from the Senate, the Muskie bill on pollution, which calls for no pollutants being dumped in the waters, the navigable waters, in our country by the year 1985. Now, while there is some small print, it means you can get around it; you don't have to pay any attention to the objectives of the bill, still the public thinks that is going to happen.

To accomplish that would cost between $2 and $3 billion for this country.

Now, if you are going to apply this principle, I am for it; but let's apply it to all bills. That bill was unanimously adopted by the Senate.

Senator RIBICOFF. I am saying we should start. I think—I am sorry to take up your time, Mr. Chairman.

Governor ROCKEFELLER. I am taking up yours.

Senator RIBICOFF. But I think we have got a philosophical point here that is just as important as what you are studying.

This country has been run on a series of lies and hoaxes.

Governor ROCKEFELLER. That's right.

Senator RIBICOFF. And the lies and hoaxes have been perpetrated on the poor of this country. This Government has made promise after promise to the poor and the black and have kept none of them. We started in 1946 with the Unemployment Act in which we said we were going to supply a job to everybody; yet we have 5 million people unemployed. We had one, the 1949 Housing Act to give everybody in this country a decent place to live; yet we have 4 million slum dwellings and the Federal Government, with its urban renewal, has created more slums than this country has ever seen. We have promised to eliminate poverty in this country and we have got more people in poverty this year than we had last. We promised out of the Congress of the United States that we would help the cities. The cities are in the worst condition that they have ever been in and as far as I am concerned, Governor Rockefeller, I don't intend to perpetrate any more hoaxes on the poor of this country by saying we are going to eliminate poverty, that we are going to take care of them, when we know the preambles of what we are talking about we are giving them a lie.

Now, if we can't take care of the poor, for heaven's sake let's stop lying to them and that is what I am saying, Governor Rockefeller.

Governor ROCKEFELLER. With that statement I agree 100 percent and I applaud it and I made the same statement before the Senate Public Works Committee—I mean the House Public Works Committee.

The CHAIRMAN. Well——

Governor ROCKEFELLER. Fine.

The CHAIRMAN. I am not going to interrupt you any more until you get through with your statement, but any time you would talk about lying to the public, I wish you would leave me out of the generality of that statement. I don't think I am a part of it.

Governor ROCKEFELLER. Well, excuse me, Mr. Chairman, but I was the beneficiary of the previous conversation and I couldn't resist.

Let me run through, then, the points which I would like to make and I would like to, as I go along, touch on the question of whether the particular point needs to be tested by further projects, pilot projects when we have been in the middle of these things now for 40 years, and we have got every experience, we have made every mistake at the local level that could possibly be made, and to study what has happened, I think, can very easily guide us in what can be done.

Now, the National Governor's Conference—I just want to reaffirm—has stated that H.R. 1 represents significant progress toward bringing about an improvement in the welfare system in this country and, as an individual Governor and as chairman of the human resources committee of the National Governors' Conference, I fully support the conference position on this important legislation.

I believe the President's initiative, the work of Mr. Wilbur Mills' Committee on Ways and Means in reporting out H.R. 1, which the House then passed and now these hearings of yours, Senator Long, and the Senate Finance Committee constitutes a major breakthrough in facing up to one of the most perplexing, serious, human, social, and economic problems facing our country today.

We are now operating a program of vital importance to the future course of our Nation, using concepts and legislation basically shaped in the 1930's. Now, as then, our concern must be for people; for meeting human needs. But the conditions under which we meet those needs have changed radically today while our approaches have not changed correspondingly. Until H.R. 1 there has not been any recognition of or adjustment to some of the revolutionary and fundamental changes that have been taking place in America of these programs.

We must view these changes realistically and make the necessary conceptual and structural changes in our approach to the problem, or we will find that we are weakening, rather than truly helping, those in need and, at the same time, that we are undermining the confidence of the people and the capacity of our federal system to cope with this problem without destroying itself.

My colleague from California, Governor Reagan, has recently expressed his concern about the dangers we face. I share his concern. However, I do not agree with his means for accomplishing a needed solution. I also share many of the concerns Chairman Long expressed in his speech of last August, which he was good enough to send to me. We are all concerned about welfare, its rising costs and increasing rolls, the abuses in the system, the breaking up of families which it seems to encourage and the incentive to work which it discourages; but I feel very strongly that these concerns can be dealt with within the framework of H.R. 1.

Given the President's leadership, the excellent work of the Mills committee, and now the role of the Senate Finance Committee, we can work out the differences and difficulties within H.R. 1 and come out with a major first step in solving the country's No. 1 social problem: the problem of the poor and the disadvantaged and how these people can achieve a meaningful, rewarding role as productive, self-reliant citizens with a sense of dignity and purpose in their lives.

Today I want to speak about the problem from the point of view of the citizens of a northern, urban, industrial State, both from the taxpayer's viewpoint and the viewpoint of those who are trying to help. As things stand today, paradoxically, both groups are frustrated and embittered. The former are caught in a cycle of rising taxes and the latter are caught in an equally vicious cycle of growing dependency.

The aged, the blind, and the disabled should be treated in a separate category as properly suggested in H.R. 1 which it provides under the social security system, but for those who need help we must provide a system which will give them the encouragement and the training in order to achieve self-sufficiency.

Today there are five areas I would like to discuss in connection with this problem: (1) the basic elements of change; (2) the need for a national approach; (3) work as the key element in breaking the cycle of dependency; (4) need for Federal financing of welfare, and (5) improvements in welfare management.

First, taking up the basic changes, we have experienced patterns of migration in this country over the past century and in recent decades that have radically altered the country's social and economic problems of migration caused by the industrial revolution—the effect of this industrial revolution was to pull people off the farm and to the cities and manufacturing jobs.

Secondly, the agricultural industrial revolution; the second and most recent rural-to-urban migration resulted from the industrialization of southern and tropical agriculture from Puerto Rico which, in effect, threw people off the farms. These generally were poorly educated, unskilled, and culturally deprived people. They couldn't find adequate job opportunities in nearby cities or adequate welfare benefits in relation to the higher levels of public services and welfare benefits available in the industrial North. They flooded into the big northern cities. They have been flooding into the big northern cities for the past two decades, ill equipped to cope with the new environment in which they found themselves while at the same time these northern industrial cities were ill equipped to cope with the problems which this new inmigration created.

Their social services were severely overloaded by this influx of needy people—the schools, health facilities, and welfare services.

Tragically, the problem has been compounded by the rapid spread of drug abuse, most rampant in big cities, which has destroyed individuals and families, fostered crime, and crippled the capacity of those affected to adopt to their new environment and to prepare themselves for life in a highly competitive urban society.

Third, we have the urban-to-suburban migration. During this period in the last two decades middle-income families from previous European migrations have increasingly moved to the suburbs, taking with them both industry and a broader tax base. They have been leaving behind in the cities a dwindling tax base, deteriorating housing, a breakdown of basic municipal services, all of which compound the problems of crime and drug abuse and lock the city into a continually downward spiral of decay.

Now, as a result, we are now witnessing a growing movement of middle-income, taxpaying individuals and industries out of these northern urban areas. If we allow this destruction of urban industrial America, which is the economic and financial backbone of the country, we will have demonstrated that our federal system can no longer solve the problems of providing opportunity and human dignity to its people at home and we will no longer be the leader of the free world and the protector of these values.

We have come to the end of the period when we can solve our human social problem in one part of the country by pushing them off on to our neighbors in another part of the country. Sooner or later these problems will pull this Nation down unless we truly solve them rather than merely shift them around.

I am here today to give my all-out support for H.R. 1 because its national family assistance concepts are essential first steps in coming to grips with one of the most serious social problems we face. It does so in a way that recognizes the profound changes the country has undergone.

Second, the need for a national approach: The first step in approaching welfare on a national basis is to provide nationwide standards of minimum assistance for the needy, taking into account regional differences in wage levels and the cost of living; and I would like to say there, parenthetically, that in my opinion, if this program goes in now it will do a lot to stop this artificial movement of people in this country in order to find the ability to support their families and do for them in areas where the benefits are higher, and that this, if it continues, is going to destroy these areas which are unable to carry that load, and artificially distort the structure of our country.

Now, the national standards would make it unnecessary for the needy to migrate from one State to another seeking the minimum essentials of life to support themselves, a truly tragic situation which exists today.

I urge this national approach only after 14 years of our trying to deal with the welfare problem primarily on our own in New York State. But now it has simply become impossible for us to cope with steadily rising costs and the social problems which result in these rising costs. We can't stop the out-of-State arrivals who wind up on welfare. We can't raise the money we need to meet these rising costs and I will say parenthetically that we now have the highest State per capita taxes in the Nation and the second highest State in taxes on the basis of income.

I think that a brief review of our welfare programs in New York will document the sincerity and intensity of our effort to deal with the problem as a single State.

Let me give you the highlights of what we have done.

We went after, as I mentioned earlier, a 1-year residency law in order to stop the inflow or in order to be able to reverse it, and before the courts held us up we started out pretty well.

I could mention we had a family of seven who arrived from California. They took precautions; they were just still on California welfare and just wanted to switch over to New York welfare. We were able to encourage them to go back to California and stay with our colleague out there. [Laughter.]

Governor ROCKEFELLER. Now, of course, we can't do that, so that possibility of meeting our problem is closed to us.

Second, we have a new employment program. We now require every employable public assistance recipient in New York State to report to the State employment service every 2 weeks to pick up his check and receive employment counseling. As a result, you wouldn't believe it, but about 20 percent of those whose checks were sent to the employment office never showed to pick them up and this 20 percent is continuing to be the average.

Now, we don't know whether they were in California getting a second check from us or whether they happened to die and somebody else was signing the check and taking it; we just don't know, but that was a very interesting fact. It ran as high in some areas as 30 percent. That has been very beneficial.

Now, welfare benefits are denied to an employable person who quits or refuses a job without good cause.

Next is welfare demonstrations. I might give you just a figure there that I could insert that as a result of the first 6 months in this business

of those who are employable coming to pick up their checks at the employment office, 15,755 have been placed in jobs; 7,500 more are in training, and 23,000 were found ineligible for welfare and have been dropped from the rolls, so this has proven to be a very useful program.

The CHAIRMAN. What percentage of the overall rolls was that, Governor?

Governor ROCKEFELLER. Well, it only represents about 3 percent of our overall rolls because——

The CHAIRMAN. I mean of that category, that is, only your general assistance program you are speaking of, I suppose?

Governor ROCKEFELLER. No; that category is all employable people who are either on family assistance or ADC, and it takes a little while to gear up to handle this but this was a program—we passed a law, put the program into effect—I hate to say it, Mr. Chairman, but without a pilot project—and we have been able to work it out because we have got pretty good administrators who when you get a project they study how to set it up and they are carrying it out; and I think this is proving very useful and it is changing the attitude that is one step in that important process.

Next, welfare demonstrations: Existing Federal law enables the Secretary of HEW to authorize—now we come to experimental programs. I have now received, after 7 months of negotiations with HEW, clearance for two programs, one an incentive for independence, as we call it—a program which tests new approaches to mandating work as well as incentives for getting an education and worthwhile work experiences.

Now, public service work opportunities: I might say you spoke of the public service jobs and mentioned the situation out in Ohio, I think it was, and I would like to say I share very strongly your concern as to how those public service jobs can and are being abused to pad the payrolls so as to supplement the payrolls of municipalities and I, frankly, have very serious questions about that.

I know philosophically this is very much in conflict with the current philosophy of thinking, but under our program we require ADC recipients to work off their grant; and we got clearance for 25 percent of the total welfare rolls of New York State and our welfare rolls in New York State were 1.8 million so 25 percent of our people will be, as we put these into effect, under these programs I now will mention:

We require ADC recipients to work off their grants at the minimum or prevailing wage in projects designed to improve the community or to the service of the public. This fits in with some other things you were saying just a minute ago.

This 3-year demonstration project will operate on 24—in 24 welfare districts which have approximately 25 percent of the States' ADC caseload and build upon those already in operation for the some 6,000 home relief recipients whom we already had put under this program; and it was interesting—you mentioned the New York Times—there was an interesting story about a man who had been interviewed who was working in Central Park picking up paper and he said he rather enjoyed the association with others in working. He had never worked before in his life and it was a very interesting experience and he found it a rather pleasurable experience and he thought he would continue.

On the other hand, he said he wasn't sure maybe he would go back to Virginia so I just mention this—excuse me, Senator, I just mention this—— [Laughter.]

Governor ROCKEFELLER (continuing). Because here was a man who for the first time in his life was working and found it a pleasurable experience.

I might say that he also are applying this to children from 15 to 18 years, that they should have a work experience, and that under the agreement with HEW, which we worked out, we will pay them $1.60 an hour for the extra time they work because HEW wouldn't give us a clearance to do it on any other basis; but they are putting the money up but here will be the first time that ADC children see somebody working and get in contact with people who are working and find out that in life, really, the satisfactions come from achieving something, and I think that the work ethic and the work patterns and habits are essential if, as they grow up, they are going to become productive citizens rather than dependent citizens in our society.

I would like to say that 13 percent of the population in New York City is now on welfare. The estimates are it will go to 23 percent by 1980, and I would like to just raise the question as to how high a percentage of our community can you support nonproductive and still have a viable, successful, economic and social life; and I think we are coming to these fundamental questions that we have got to face.

Now, we have established an inspector general for welfare administration which is in the Governor's office and not in the welfare department, who has a staff to investigate welfare frauds. Some very interesting—we are having a tremendous response from the public—and some very interesting cases. Fifty have already been carried through, through the welfare department, checked out, for a total savings of three—whatever it is—$360,000 a year, just on 50 cases where this came through. But this also affects the tone of the operation.

ADMINISTRATIVE IMPROVEMENT

We made provision for the issuance of identification cards with a photo affixed and requiring the inclusion of the parents' social security number or the child's birth certificate in order to make it easier to locate parents who desert their children.

H.R. 1 already embodies many of these concepts and I believe, frankly, that they should adopt all of them.

Our results have been encouraging. It has slowed the growth of our welfare rolls. Just as a result of 6 month's operation of this new program, our new growth this year we feel will be 125,000 less than the estimated figure we had at the end of the year, which was a conservative figure then, and that would save about $100 million, so this is showing that there are chances here to really get things done.

The CHAIRMAN. Would you mind repeating that last statement, Governor?

Governor ROCKEFELLER. Our estimate was at the beginning of the year, before we put our program into effect, would be reduced by about 125,000 actual increase in our rolls as a result of this program which will save us, save everybody, about $100 million.

Now this is, I must say, on its own with all kinds of restrictions trying to meet some of these problems but I have got to say to you, frankly, just a State alone just isn't in position to handle this and I would move out again on this movement of people. New York City is losing a net of about 40,000 apartments a year due to abandonment because of a lot of conditions. The result is there is no housing available in our city; we are losing housing and, therefore, we are in a position where we can't accommodate these in-migrant groups. We can't cope with them in the schools or in our health program or in our welfare program simply because of the money problem and the social problems. I would put the social problems first and, really, from their point of view, I have very serious question as to whether this movement into these big industrial core areas, city core areas, deteriorating as they are, is anything but a tragedy for the future of those families, despite the fact that our payments for family of four are over $4,000 compared to your minimum.

So I would like to say I think the continued growth of welfare costs makes abundantly clear they are beyond the resources of a single State government and its localities and that between 1958—well, I mentioned that growth figure that we have there.

Now, next let me turn to work incentives to break the cycle of dependency. Setting Federal, nationwide welfare standards solves one of the problems of the artificial migration generated by State-to-State variation in benefits.

The second major problem is breaking the problem of welfare dependency. We must have a Federal program that requires all able-bodied persons on welfare to take jobs, either in private or public employment, to take job training preparatory to employment, or to work off their benefits at the minimum or prevailing wage in projects designed to improve the community or services to the public.

As mentioned before, we are testing out this work program in New York State, both in the home-relief category and with 25 percent of recipients of aid to families with dependent children. We must also have a national required program for able-bodied young people, as I mentioned also, from 15 to 18, to work on a part-time basis, part-time jobs, thus giving them the opportunties and satisfaction that come from work experience. We have such a test project for youth employment planned in three sample districts in New York State.

Next, the need for Federal financing: Just as the whole welfare program must be recognized, the whole program must be recognized and dealt with as a national problem, ultimately it must be financed on a national basis.

In the meantime, H.R. 1 takes an important step toward full Federal financing by providing a minimum national benefit level of $2,400 for a family of four, and if Senator Ribicoff's amendments pass, then that would be a higher standard and from our point of view would be even better.

Obviously, from our State's point of view, as I say, the Senator's program would be better and it would be another step toward the ultimate goal of full Federal financing in a way which I think is in the Nation's best interests.

We have already waited 3 years for action on the President's family assistance proposal and we are now at a point where taxpayers are

reaching the end of the road on the welfare issue. I have pointed out the skyrocketing costs of welfare in New York. We have reached the limit in our ability to raise additional funds and the local taxes, as I mentioned before, are the highest per capita and on a personal income they are second.

Last year New York State had to cut welfare benefits to 90 percent of the standard because of the desperate fiscal situation.

Now, finally, management improvement in welfare: The management of welfare should be improved with Federal standards of eligibility and accountability. This could be achieved either by direct Federal administration of welfare or by providing Federal funds to the States which would administer welfare under contract with the Federal Government. I think that that flexibility would be very important because I can understand the difficulty of the Federal Government trying to gear up to run everything in the country in this field; but I think if they set the standards and would provide the funds on the administration that they could contract and supervise under those standards with existing groups run by the States which could very well accelerate the time that would be possible to put this whole program into action. Either approach would make a major improvement but to do nothing at all will surely aggravate the problem.

Now, let me say in conclusion that H.R. 1 has passed the House of Representatives. It is critical that the progress that has been made toward enactment of this vital legislation not be lost.

New York State's Department of Social Services has already submitted to the staff of this committee a series of recommended changes that we think should be made and I won't go into these here. Detailed changes in connection with H.R. 1—I would like to submit these recommendations at this time for the record.*

I am confident that we can meet the legitimate concerns that have been expressed if we concentrate on finding the solutions rather than looking for problems.

Unless we do, we will not be addressing ourselves to the solution of a national problem that is balkanizing this country, creating artificial migration, destroying human dignity and undermining the values that have made this the leading nation on earth.

Thank you, sir.

The CHAIRMAN. Senator Hansen?

Senator HANSEN. Governor Rockefeller, I would like to compliment you for having presented this committee with some very important testimony.

I think few people in this country are better equipped to speak more knowledgeably than are you with respect to a problem that is great and growing.

I find many things in your various recommendations with which I agree. I happen not to agree completely with all of what you say. I believe that while there can be little argument that $2,400 is more than adequate for the needs of a family of four for a full year, it occurs to me that the best argument against making this part of a Federal obligation arises from the fact, as Senator Jordan of Idaho has frequently observed, that once you get this sort of a proposal before the

* See p. 2177.

Congress it is not unlike the situation in a poker game—that is, it's just openers. I think there is ample evidence to indicate, as we view other programs, and the constant pressures to escalate payments or levels of contribution or whatever, that that indeed would be the case.

Then, of course, we get into the situation of having to view not what we are doing for those on welfare, for whom we all would like to bring greater assistance, but what we do to those not on welfare if indeed by escalating the benefits we destroy the incentive in others. I must say that is one of the differences where I would respectfully take exception to your statement.

I think, also, your recommendation of recognizing the need for identifying welfare recipients is very good. I couldn't agree more and I think you have provided a great service to the country in requiring that welfare recipients have to pick up their checks at an employment office.

I suspect two things may have happened in your state: One is that if there are as many cheaters as some people believe there may be on welfare rolls, the fact that a person is required physically to present himself to pick up the check is a very real deterrent and while I don't know what your feelings are on that precise point, I can say we had testimony on that point last week from a county prosecuting attorney in Arkansas, as I recall, who said if he could have made available to him the information that HEW had and other related State welfare agencies had, it was his belief that he could reduce the welfare burden in the area under his jurisdiction by some 30 percent.

He spoke also about what he felt was a crying need to identify fathers who cavalierly dismissed their responsibility as a parent and the great benefit that he felt could result if he were armed with the information that presently is denied him in searching out and going after these parents who take their obligations so lightly and see that their earnings are contributed to the support of their children.

I won't take further time. I do not want to thank you again for the very fine, worthwhile contribution you have made to a better understanding of this problem.

Governor ROCKEFELLER. Thank you, sir; I appreciate it.

Senator HANSEN. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Nelson?

Senator NELSON. Governor, were you not Governor when I first met you at the Governors Conference in Puerto Rico in 1959? Have you been Governor ever since then?

Governor ROCKEFELLER. Yes, sir. [Laughter.]

You wouldn't believe it, but I have. Don't ask me why.

Senator NELSON. I would ask you how. [Laughter.]

Early in your remarks you referred to regional differences. Do you think we should take into consideration regional differences in costs?

Governor ROCKEFELLER. Regional differences in cost of living and wage scales. If those were reflected in your basic figures, I think, this could remove a lot of the opposition to national standards and I think it is a perfectly reasonable question, I mean a perfectly reasonable proposal.

Senator NELSON. This is a problem that has troubled me about the bill. Your State, and particularly New York City, would be a good

example; $2,400 is one thing in the lowest cost of living areas in rural America where someone can get for $30 or $40 a month the same housing that would cost $150 or $200 in New York City. Certainly, the $2,400 is worth much more there. It gives a much better standard of living in that area than it ever would in New York City.

At some stage we will have to take into consideration the question of varying costs.

Some of the people with whom I have discussed this bill say, "Well, we ought to at least get a national base standard established and when we go beyond that we will start taking varying costs into consideration."

Well, maybe that is so, but I would hope that the Governors Conference, this committee and all others would recognize that when we go to $3,000, if we go to $3,000 as suggested by Senator Ribicoff, or $4,000 which is approaching the poverty level nationwide for a family of four, we should take into consideration regional differences. Otherwise the areas with the greatest problems and the highest costs will receive the least help.

Governor ROCKEFELLER. Exactly and this was included in the resolution by the National Governors Conference issued January 26, 1972, and it states: "Establish reasonable national standard of assistance with reasonable regional geographic differentials," so the Governors are on record unanimously for this.

Senator NELSON. It is my understanding, without any personal check of the administration's position at this time, that they really don't have a sufficiently sophisticated collection of figures to do that. Is that correct?

Governor ROCKEFELLER. They could establish the principle.

Senator RIBICOFF. I think that it is available if they are interested. After all, it doesn't take much between Labor Statistics and HEW and the Government information to find out the variance in costs. I think it makes a lot of sense. But in the amendment that I have in mind to freeze the States at the 1971 level, I would think it is important to impose the condition that if the Federal Government assumes the burden over the 1971 figures, the States should be required to restore their cutbacks that they made subsequent to January 1, 1971. In other words, Governor Rockefeller cut back his payment in May 1971, 10 percent. Now, if the Federal Government were to assume the burden of all the payments of the State of New York after 1971, I would expect at that stage New York should restore its cuts that it made.

There is no question in my mind, Senator Nelson, that the $2,400 while it might be helpful in many of the Southern States, would be a disaster in States like yours, Connecticut, or in New York. But if you had the question of standard of need, which is in the present welfare bills, requiring the States to live up to—to pay according to the standard of need, and none of them really do because it would cause such a great burden, especially in the Southern States, but if the Federal Government, in my opinion, picked up the entire welfare load after 1971 and my amendment would require in 1976 the Federal Government assume the entire Federal welfare costs and take it off the shoulders of the States, if such an amendment were passed the Southern States

which have a big problem would then go up to the standard of need because it wouldn't raise their costs; and my feeling is that to adopt that type of formula would be more realistic than the administration's $2,400 or more realistic even than my $3,000, and these are some of the proposals that I will be submitting to the committee when we come into markup session.

Senator NELSON. I just raised the question because if this measure is adopted, as I expect it will at some stage, I would hate to have the principle established that henceforth every time there is a benefit increase, it must be the same everywhere, regardless of differences in the cost of living.

Senator RIBICOFF. That is correct.

Governor ROCKEFELLER. It puts a very unfair burden on the States with higher standards, both in services and higher costs of living because we then have to supplement more and as we supplement more and pay cash it looks very attractive when you are somewhere else before you get to New York, you know. These things look bit; I mean they look very attractive. When you get there it is another matter.

Senator RIBICOFF. And that is no supplementation with any State that gets half of it would pay less than the $2,400; you will have to continue yours over $2,400 as will Wisconsin but if you pay less you won't.

Governor ROCKEFELLER. That is right.

The CHAIRMAN. I would like to announce we are going to continue to hear Governor Rockefeller until we are through hearing him this morning The other witnesses can make their plans to be here this afternoon. I should think we will come back at 2:30, maybe 2, if the interrogation should wind up shortly.

Senator BENNETT. We have a vote at 2 o'clock.

The CHAIRMAN. We had better plan on coming back here at 2:30 for the information of all those who want to make their plans.

Go right ahead, Senator. Do you wish to ask questions Senator Fannin?

Senator FANNIN. Thank you, Mr. Chairman.

Governor, we welcome you here today and we are pleased to receive your testimony. I regret very much that I haven't had the privilege of being here during your entire presentation. I have been extremely impressed with the work you have been doing in New York and you deserve a great deal of credit.

But in going through your statement hurriedly, I agree that we should accomplish what we can accomplish; we should accomplish what you have advocated in many respect. The aged, disabled, and blind should be established in a separate category and I agree with that, and, also, the need for a national approach and Federal financing of welfare, but don't you agree that we should have State administration?

Governor ROCKEFELLER. I suggest in here that it be operated so that the Federal Government could either, if they want, undertake the administration or contract with the State to do the administration under their standards. I think it would be very useful to have quality standards of administration because I have a big bill. You know, our administration is local and a lot of the local areas are not using the

kind of computerized systems that they should and they are not efficient; and, for instance, we have one case of where under our new investigator they found that a man had been receiving checks and then he would write back each time and say he lost his check and for eight times in a consecutive period, every 2 weeks, every time he wrote he said he lost his check, each time they sent him another check and there never was any record made of it and he just got two checks.

You can't blame the guy for being too smart.

Senator FANNIN. That is typical of Federal handling.

Governor ROCKEFELLER. That was local.

Senator FANNIN. I know, but you are talking about the way I look at the way we do things in Washington.

Governor ROCKEFELLER. But computerization would have prevented that.

Senator FANNIN. Yes, I understand. I agree, States need immediate financial assistance and I would be in favor of the program but I do want you to know that I feel we should have some experience before we adopt this program that is covered by H.R. 1. It is one of such great magnitude. We don't want to get into—I am sure you wouldn't want to get into the position we have been insofar as medicare and medicaid have been.

In the State of New York can you do deficit financing?

Governor ROCKEFELLER. No, sir.

Senator FANNIN. Just on revenue matters?

Governor ROCKEFELLER. We are in a very tough spot right now and we had to have a special session to pass some additional taxes, get authorization to get rollover payments into the following year and to borrow emergency tax certificate notes.

Senator FANNIN. Yes.

Governor ROCKEFELLER. And something else; we used everything. Excuse we. We budgeted $400 million of Federal aid so maybe that is deficit financing. [Laughter.]

Senator FANNIN. Well, Governor, I wish we could not do deficit financing and we can send you money we don't have as it is today.

Governor ROCKEFELLER. That makes two of us.

Senator FANNIN. I have been advocating a balanced budget at the Federal level because I feel eventually that must come about if we are going to have a stable dollar and if we are going to have financial responsibility in this country.

In talking about the programs that you advocate, and I see from your statement you agree somewhat with the program under H.R. 1, I am very concerned about it because we have had testimony here as to what it is costing in some States, for instance, on medicaid. However, the costs are not only doubled, tripled, and quadrupled but even greater than that.

I know in Illinois, we had testimony from Governor Ogilvie that the medicaid program now represents 44 percent of their welfare program in that State.

What would it be in New York?

Governor ROCKEFELLER. About a third.

Senator FANNIN. About a third?

Governor ROCKEFELLER. But I might say that we tried to make some changes in the program because of the costs and have been knocked

down by the courts, so we have got problems both with the regulations in HEW and then with the courts; and I want to tell you this is a rough business.

Senator FANNIN. I realize that and, of course, that is why I hate to see more power coming to Washington in respect to these programs. For instance, you recommend that the people not come into welfare until they have been in the State for 1 year, is that right?

Governor ROCKEFELLER. That's right.

Senator FANNIN. One year residence requirement. We were cut off—our funds were cut back and then reinstated, but on the basis of a cutoff of a person who has left the State for more than 90 days. The State of Arizona had a period of 90 days in which they would permit a person to draw welfare payments and then after 90 days they would be cut off and, of course, HEW ruled against us, and so did the courts; so I imagine that you would also be in favor of some restriction in that regard; would you not?

Governor ROCKEFELLER. That's right.

Senator FANNIN. When they leave New York and you still have the responsibility, it seems just as unfair as having them come into New York and take over immediately.

What period of time—you have heard it mentioned, 60 days, 30 days—what period of time do you think would be in order?

Governor ROCKEFELLER. Well, I assume it would have to have something to do with why he left. I think the difficulty is he sort of shops around, sometimes going on our welfare to see where he can get a better deal, but not too many can.

Senator FANNIN. Would you be in favor of a 30-day cutoff period with extenuating circumstances making it possible for them to continue if they can prove they need it for carrying through in a program of that nature?

Governor ROCKEFELLER. We frankly had not, in the various plans, reorganization, which I discussed and maybe we have overlooked something important here; we have not gotten into that but we have insisted that any able-bodied person come pick his check up every 2 weeks at the employment office and that really precludes, excepting maybe get out during the interim period, but there are a lot of people who have been using both unemployment insurance and welfare and then earning out-of-State money which is not registered by working in a ski resort where they work at the bar as a waiter and don't get paid but tips and ski and then get back.

Senator FANNIN. I realize you have accomplished a great deal by picking up the checks and this would alleviate much of the problem we are talking about people leaving the State; they would have to appear in person, have to come back in and in most instances that would be very difficult.

We are talking about an extensive program and we discussed the pilot programs. The question in my mind is, should we go ahead and pass legislation——

Governor ROCKEFELLER. Yes.

Senator FANNIN (continuing). Without having the experience? How can we really write the proper legislation without having the experience?

We say, yes; we can come back later and rewrite it.

Governor ROCKEFELLER. We have been doing it for 200 years and I really feel this is so important if you go ahead and pass the legislation, even write in that the effective dates are restricted and then do pilot programs if you want, but most of the things which you recommend in here are being done somewhere in the United States today and, therefore, there is no problem in studying how that is done, what the experience is and learning from it.

Senator FANNIN. How about a guaranteed annual income?

Governor ROCKEFELLER. Well, if you call a minimum benefit for a family of four—you know, a guaranteed income, I personally think that basic needs have to be met and a minimum figure of $2,400 is a very, very modest amount, and I personally think this should be passed because now the persons cannot meet their needs if they cannot get work or are unable to do work; it is just a tragedy if they have to move out of the area where they live and come up to other States where they are paying higher benefits because we cannot afford to handle it.

Senator FANNIN. Well, Governor, of course, you heard the statement made by the distinguished Senator from Wyoming about what the Senator from Idaho has maintained, that this is just openers and so we are talking $2,400 as openers. Where do we end?

Now, yesterday we had recommendations that it should go to $6,500 and that it would cost about $20 billion additional, but then they say that would not be enough; we would have to carry on through, so that others who are working would not be in as equitable a position and then we should pay out another $30 billion so they were recommending an expenditure of $50 billion.

Now, where is the money going to come from?

Governor ROCKEFELLER. Well, it isn't going to come from—obviously, we are dealing with individual values and human needs. This is not true; we face this level payment in New York State all the time; each year it is up. So it isn't as if this was something which for the first time Congress is going to have to face up to. States have been facing it right along and it is just a question of whether we have the disciplines and the ability to make the decisions between need and our capacity and to do it the most efficiently; and I think we have to face that.

Senator FANNIN. Governor, I wholeheartedly agree with you; that is exactly the point. Do we have the capacity? Here we do not have a stable dollar today: it is in jeopardy; internationally it is in great jeopardy; you would know far better than I would, but the problems we have in that respect are so serious that we can't afford to just take on obligations that perhaps later on we will have to recind, can we?

Governor ROCKEFELLER. Well, Senator, I understand what you are saying and I sympathize with the problem, but I would like to point out that by not taking them on here in Congress you make it impossible for us to do anything in the States. We have no control over whether people come there, how big our rolls are; we can't reduce the benefit levels under the matching formulas from Congress, so we are frozen into a position over which we have no control.

Senator FANNIN. Yes.

Governor ROCKEFELLER. With people flowing in from different parts of the country because they can't get an opportunity to get the assistance to live as decent human beings.

Senator FANNIN. I agree and I know what the Federal Government has done in your State and the other States of this Nation in making those requirements, sometimes very unreasonable and forcing on you items which would be of low priority so far as your State is concerned; but still I mean it is a requirement; but I think we must look at it from the standpoint of what can we afford to do. You know, we no longer look at it from the Federal level as to whether we can afford it; we should say let's just have more deficit spending. But don't you agree there is an end to that? We must do something about it. Here we are contemplating a $40 to $45 billion deficit this year and what will it be next year. If we adopt the programs we are talking about, adopt the recommendations that have been made to us in all the programs, we would probably run $50 to $75 billion deficits in the next couple of years.

Governor ROCKEFELLER. Well, of course, you have got an open-end commitment right now, for instance, in New York on an over $4,000 per family basis where you have to pick up half of it, so you have an open-end commitment right now.

Senator FANNIN. I know, and it is very unsatisfactory; I don't think we can afford to continue—not necessarily that program but continue open-end agreements when we haven't the ability or at least we don't face up to our responsibility to pass the necessary taxes to take care of it.

I will agree that if the Congress would have the same obligation the States have, we could carry through on these programs, and go ahead financially, it would be an extra burden as far as taxation is concerned; but I think we are just heading for disaster if we continue doing what we have been doing in just the past few years.

Governor ROCKEFELLER. But just to comment on what you say, in the past 10 years I have requested seven times increases in taxes in New York State, have had to. During that same period Congress has cut taxes five times. Your taxes are nationwide; our taxes are distorting the economic and social life of one area of the country in a way that is very serious. So——

Senator FANNIN. I think it is very unfair but we here in the Congress have not been willing to stand up to our responsibilities of increasing those taxes.

Governor, I am just sorry I missed much of your testimony and I certainly commend you in what you are doing.

Governor ROCKEFELLER. Thank you.

The CHAIRMAN. Senator Ribicoff?

Senator RIBICOFF. I have here a statement that I will read from the New York Magazine, February 6, 1971:

About six months ago Governor Rockefeller decided to do something about the fact that more than 1 million people in New York City were on welfare. He set up the Office of Welfare Inspector General, George Berlinger. According to state sources the Inspector General has spent almost $200,000 of his $750,000 appropriation and to date has investigated 13 cases and found three cases of welfare cheaters.

Will you comment on that?

Governor ROCKEFELLER. Well, it is just totally inaccurate.

Senator RIBICOFF. How many cases—how much has the inspector general spent out of the $750,000?

Governor ROCKEFELLER. The inspector general was a new office in our State and he has an appropriation of $500,000. We have found very unsatisfactory the inspecting of welfare cases by the local communities because of the system they have used and then the State's position was to check their checks but their checks on welfare cases were made on a selected basis in the beginning. So when we checked the cases they checked we were checking cases which were pretty carefully selected. So we wanted to go on our own.

We have authorized $500,000 appropriation; we have cash expenditures to date of $160,000. We have encumbered an additional $49,000. Projected expenses to March 3, 1972 are $186,000; anticipated savings or expenditures under the $500,000 for the year will be $104,000.

Senator RIBICOFF. But how many cases have you investigated in the last 6 months?

Governor ROCKEFELLER. Well, as you know, we started from scratch; we had to organize the department; we had to get the investigative office and get the lawyers and so forth, set up procedures, work with the different areas.

We have now gone over 3,500 cases and actual investigations completed and referred to local commissioners 152. The number of persons involved in the cases referred were 302. The responses received from local commissioners to date, their completion, has been 53; documented cases referred to the district attorney, 21; estimated next year, 12 months' savings on 152 cases is $412,000. So the savings from those 152 cases will be just a little more than the money spent by the commissioner; but the impact that somebody is now watching this and investigating it has been tremendous on these local administrators.

Senator RIBICOFF. Yes, but, in other words, you have 1.7 million people on welfare; you have been inspecting now for 6 months and you referred 12 cases to the district attorney so you found so far 12 cases of cheating in your investigation?

Governor ROCKEFELLER. No, no.

Senator RIBICOFF. How many cases did you say you referred, 21 cases you referred to——

Governor ROCKEFELLER. On the 152——

Senator RIBICOFF (continuing). Which have been referred to the local commissioners we anticipate savings of $412,000.

Senator RIBICOFF. I know that but how many cases of cheating did you find? How many cases did you say were referred to the district attorney?

Governor ROCKEFELLER. 152 were cheats.

Senator RIBICOFF. How many were referred to the district attorney?

Governor ROCKEFELLER. How many were prosecuted?

Senator RIBICOFF. How many were referred to the district attorney?

Governor ROCKEFELLER. Twenty-one.

Senator RIBICOFF. So, basically, out of those 21 that were referred to the district attorney, those were probably violations of some law, some crime, some cheating experience?

Governor ROCKEFELLER. Well, of course, the internal——

Senator RIBICOFF. Let's say 151 were cheaters?

Governor ROCKEFELLER. 152.

Senator RIBICOFF. 152 were cheaters; out of the 1,750,000 you found 152 cheaters?

Governor ROCKEFELLER. No.

Senator HANSEN. Would the Senator yield?

The CHAIRMAN. Let him answer.

Governor ROCKEFELLER. This department has been in operation 3 months. It took me 3 months to get it organized and get the people, to get someone who would take this job; let's face it. They have on file now 3,500 cases. We had a marvelous response from the public and we estimate that on the 153 cases—152 cases—that there were overpayments of $593,700 on those 152 cases alone.

Senator RIBICOFF. Now, while there may be overpayments that does not mean everybody was a cheater, because other Governors who came in here and testified with their investigations indicate that while there were overpayments, in many cases there were underpayments, so there were a lot of mistakes and a lot of inefficiency; there are mistakes and inefficiency, but I think it is important if we are going to solve these problems, Governor, to find out how many cheaters did we really have.

Governor ROCKEFELLER. We don't know yet. We are in the process of finding out; but I do know, Senator, another figure which is even more important to this, that of the people who have to go to pick up their checks at the employment office, for the first 4 months we averaged 23 percent didn't show. Now, they had a good reason not to show; maybe they were sick, in which case we found out; but the 23 percent that didn't show, that has now leveled out to just another 20 percent of the people not showing.

Senator RIBICOFF. Would you give us a complete résumé of all these reforms you have put into effect, whatever your statistics—I don't mean now—would you supply the committee with those so we could have it as a part of the record when you get back to New York?

Governor ROCKEFELLER. We will supply you with a summary and legislation on each one of the programs.

Senator RIBICOFF. And in your investigations that you have made, what percentage of those cases involved cheating and fraud and which were inefficiencies due to the bureaucracy handling it, both ways?

Governor ROCKEFELLER. I will send you—as a matter of fact, I will send you the information on the 152 cases.

Senator RIBICOFF. All right.*

Now, Governor, on January 27, the Chamber of Commerce of the United States of America testified here and you made a lot out of the fact that one of your great problems is due to the fact that New York has higher welfare payments and people from poorer sections move into New York to get higher welfare payments.

May I read from the testimony of the U.S. Chamber of Commerce:

The repeated assertion that high welfare payments have caused a large migration of poor people to get on welfare is only a belief about facts and is refuted by available evidence. A special study of AFDC in New York City requested by the Chairman of the Ways and Means Committee found that the current rise in the AFDC caseload between the years 1966 and '68—

You were Governor then——

Governor ROCKEFELLER. Still am.

Senator RIBICOFF (continuing).

*See p. 2177 for additional material submitted for Governor Rockefeller.

Cannot be attributed to a recent increase of recipients who have migrated for calculated reasons. Their finding was verified by the monitoring team from the General Accounting Office.

Would you comment on that?

Governor ROCKEFELLER. Yes; I think the important word in your statement is "calculated." These were not, as you say, calculated.

Now, I think a great many people come, and I mentioned that in my testimony, because they cannot find work in the community in which they now find themselves—if they are displaced from agriculture, sharecroppers, cottonpickers, sugarcutters in Puerto Rico and so forth, and they can't find work and they cannot get adequate benefits to sustain their family; so they come to New York looking for work.

Senator RIBICOFF. They come to New York looking for work but they don't come to New York because your benefits are higher.

Governor ROCKEFELLER. You see, I am making this point about—you said calculated.

Senator RIBICOFF. I didn't say calculated; this—I am reading it out of the testimony. This is from the report of the Ways and Means Committee; this isn't mine.

Governor ROCKEFELLER. I understand. But the word "calculated" was that very few came because of calculated desire to get on welfare.

Senator RIBICOFF. Yes, that is right.

Governor ROCKEFELLER. All right.

Senator RIBICOFF. Would you agree with that statement?

Governor ROCKEFELLER. Well, I think it is very hard to know. People come to New York for opportunities, whether it is employment or if they can't find employment, welfare. Now, nobody is going to say they came up for welfare; they are going to come up and say they came, but if a mother comes with seven children, knowing the problem she has got, it is pretty difficult for her to dispose of those seven children, to get the kind of employment she needs.

Senator RIBICOFF. Well, it is a very funny thing, Governor, because this isn't some fuzzy people making this report; this is a report of the Committee on Ways and Means, and if there is anybody who is hardnosed, it is that Committee on Ways and Means and this study from which this was taken was made jointly by the Department of HEW and your own New York State Department of Social Services, so this was a study made and a report made by your social services department and HEW.

Governor ROCKEFELLER. Well, I am very interested in what you say and it is a very interesting speculation or fact, if you want to call it fact. The problem we face is this:

In 1958 our costs were $446 million; this year they are $4 billion.

Now, these people are on these rolls and in New York——

Senator RIBICOFF. That's right.

Governor ROCKEFELLER (continuing). If they didn't happen to come for welfare purposes, they ended up on welfare——

Senator RIBICOFF. Yes, but you see——

Governor ROCKEFELLER (continuing). Which is an interesting thing.

Senator RIBICOFF. The reason I raise this point with you, as I raised it with Governor Reagan, here you are a very responsible man from

a great State and there are differences of opinion as to what causes welfare and what we should do about it and we should be arguing this out in the Congress and the country what to do about it; but let's argue it out on the facts not the myths and I think men like yourself and myself have a deep obligation to argue the philosophical difference on the facts as they exist, not on the myths that are floated.

Let me read—I am reading from the U.S. Chamber of Commerce—let me read the next paragraph in this statement:

Cook County, Illinois, had experienced a similar sharp and extensive growth in its AFDC caseload in the early '60s. A study conducted in 1964 to determine the causes concluded that in-migration to get on welfare was not a significant factor in the growth.

That study was conducted by Cook County Department of Public Aid in cooperation with the Loyola University School of Social Work.

Governor ROCKEFELLER. But you limit it each time, Senator, to get on welfare and there are very few people who will admit that they came to get on welfare. They are going to say they came for opportunity and to get a job.

Senator RIBICOFF. All right. Let me read the next paragraph to you:

After the Supreme Court decision invalidating state residence requirements, Pennsylvania, with such a requirement, expected a subsequent influx of families from poorer states to get on welfare. According to a high official in its Department of Welfare, a continuing monthly check of new applications approved for those with less than one year's residency in the state showed that the vast majority of such families came from four states, all of which made higher welfare payments. Virtually none came from the southern states.

In other words, you see, this is testimony from the Chamber of Commerce of the United States of America which is against this welfare bill. I mean this isn't somebody with stars in their eyes. The Chamber of Commerce of the United States comes here and they testify what they don't like about the bill and this I am reading from their testimony last week before this committee.

What I say, Governor, is this: We have got a bitter debate in this country and it is deep and we have to settle these problems for this country based on what the facts are, not about the myths that are floated. And that is why when you come here and testify in front of this committee and before this country because of your prestige that it is because New York's high payment and that people come to New York and burden the New York system, I want to point out that the three studies that have been made, one in your State, indicate it is just the opposite.

Governor ROCKEFELLER. Senator, I would like to respond to your question because I am not quite clear what point you are trying to make by this. These are in-migrants. If you want to say they came as in-migrants to get a job and not get on welfare, all right; let's accept that. But the fact from New York's point of view is we are financing 1.8 million people on welfare who came into that State, a large percentage of them.

Senator RIBICOFF. A lot of them live there, too.

Governor ROCKEFELLER. It wasn't so bad.

Senator RIBICOFF. A lot of them live there; the way our population floats back and forth, there are some 5 million people every year

move from one State to another. We are a country of shifting populations and you are a big State and a great State and I suppose the migration into New York, or into California, because of the size; they probably go out of New York as well as come into New York.

Governor ROCKEFELLER. Well, are you arguing against the need for a national standard?

Senator RIBICOFF. No; I am not, sir, but I want to pin you down, Governor Rockefeller, to a sense of responsibility, that is what I am seeking.

Governor ROCKEFELLER. If you will excuse me, I seek with you a share of responsibility.

Senator RIBICOFF. I want the Nation to understand when a great Governor of a great State comes here and says the burdens are due to your high welfare payments, your problems are due to the Supreme Court outlawing your residency requirements, I want to outline to you they don't come to New York to get your high payments.

Governor ROCKEFELLER. If you will read my statement you will find that was not in my text.

Senator RIBICOFF. I think you testified to what the problem was.

Governor ROCKEFELLER. I testified to the problem which I testified to in some detail of the economic changes taking place in this country which were causing migration in this country and these migrations were people coming with little education, little skill, very little skills by way of training and culturally deprived. Let's say they all come to get in jobs, get on jobs in New York. The truth of the matter is you have got a very close correlation with the growth of welfare in New York during this period and the growth of minority group populations in the central metropolitan areas.

Senator RIBICOFF. I know, but, Governor, then do I understand your position is that they did not come to New York just to get on welfare?

Governor ROCKEFELLER. I don't think either you or I are ever really going to find out what the motivating forces were except where they leave they couldn't get either a job or benefits that would take care of their families.

Senator RIBICOFF. All right.

Governor ROCKEFELLER. And they are human beings.

Senator RIBICOFF. All right. If that is the case, then don't you think that both you and I should state whatever reason they came; they don't come to get on welfare; we don't know. You simply don't know. Neither one of us knows.

Governor ROCKEFELLER. Then let's not make either statement that they did come or didn't come because we don't know, despite the chamber of commerce.

Senator RIBICOFF. All right. That is why I want to point out I am for national standards.

Governor ROCKEFELLER. So am I.

Senator RIBICOFF. And, therefore, that is why I want the Federal Government to assume the entire problem because it is a national problem and on an interim basis to freeze your payments at the 1971 level, the remainder of the costs to be assumed nationally with the Federal Government by the year 1976 picking up the entire welfare load and take it off your back and everybody else's back because for

whatever reason they come it is a national problem and let's not accuse all these 14 million people in America of being cheaters.

Governor ROCKEFELLER. But I resent what you are saying if you are implying I said these people are cheaters.

I have put in my text, Senator, the very deep human concern which I have felt all my life and I was in HEW as Deputy Secretary before you were there as Secretary.

Senator RIBICOFF. That's right.

Governor ROCKEFELLER. And I have worked to try to do those things which will give all Americans dignity and an opportunity and I don't like to be put into a false position by the way able presentation you made, which is irrelevant to my position.

Senator RIBICOFF. It is very relevant because I followed your activities in welfare and your restrictive practices in the last 2 years and the implications that you make about your studies and what you are doing imply that 20 percent of the people are trying to cheat. I don't know what you are going to find in the 20 percent and I am interested in seeing about it; but I don't want the word to go out that every one of these people, 20 percent that didn't come, were cheaters or they come to New York to get welfare. You may resent it or not resent it, Governor Rockefeller, but I want to present the facts as I see them here.

Governor ROCKEFELLER. I don't want that word to go out either, Senator, but I don't think you want or I want to allow cheaters to be on these rolls, whether it is one or whether it is two.

Senator RIBICOFF. That is right.

Governor ROCKEFELLER. Because they destroy the good name of a very important social program.

Senator RIBICOFF. But you see, now, we come down to a very important problem, Governor Rockefeller, and that is this: 1 percent cheaters, 2 percent cheaters, 5 percent cheaters, 10 percent cheaters—let's find out what it is all about; but we are talking to revamp a welfare system for this country that is out of whack and is a failure.

Now, if we are going to reform a welfare system, let's make sure that in trying to close the loopholes for those people who are defrauding and cheating, whether it is 1 percent or 10 percent, we don't overlook the overwhelming majority of those 14 million people who are not cheaters. So when we try to close these loopholes, for heaven's sake let's be positive.

But if the entire dialog in the U.S. Senate and in this country is going to be on that small percentage of cheaters, we are going to fail to solve the problems of the poor who are not cheaters.

Governor ROCKEFELLER. But you are stating the obvious, if you will excuse me.

Senator RIBICOFF. I am not stating the obvious because if you will read every speech practically made on the Senate floor and all of the criticism of welfare, you will find it is almost all pinpointed and centers on the small percentage of people who are cheaters and this is why the problem—we have these great problems today to get a constructive program because everyone assumes they are all cheaters; so I am not stating the obvious. I want a constructive program and it is the job of all of us to try to work out a constructive program.

Governor ROCKEFELLER. But you are talking to me as Governor of New York and I would like to invite you or your representatives to come up and study the programs which we are doing on an experimental basis. You don't have to try to put some in; we are doing it; and I think you will find the human values are being taken care of, fostered, and that we are trying to winnow out those who are trying to abuse the system, spoil the system, and destroy the good name of the system.

Senator ANDERSON (presiding). Senator Curtis?

Senator CURTIS. Mr. Chairman, I have no questions because I arrived too late. I was tied up in another meeting, but I know the Governor has made an important contribution to our deliberations and I shall pursue his testimony. But I have no questions at this time.

Senator ANDERSON. Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

Just a couple of brief questions, Governor.

What was the reaction of HEW to your new law requiring welfare recipients to pick up their checks in person rather than have the check mailed to them?

Governor ROCKEFELLER. Well, I think they sympathized with that, Senator, and we are enthusiastic about it and, if I am correct, that is included in H.R. 1. The work reporting is there but not the check pickup. I think the check pickup for those who were declared eligible for employment would be a very important addition to the bill.

Senator BYRD. It would be well to write that into the legislation?

Governor ROCKEFELLER. I woud personally like very much to see it and it has been extremely helpful to us.

Senator BYRD. I didn't understand whether you said HEW strongly approved of this?

Governor ROCKEFELLER. I think that they welcomed this as an experiment and that the area where we had really disagreement with them related to the requirement that welfare recipients, ablebodies who cannot get a job, who are not in training, that they should work in some service in the area in which they live for the number of hours at the prevailing rate that would cover the cost of the welfare check.

Senator BYRD. In regard to the guaranteed annual income, H.R. 1 and the administration recommend $2,400. Senator Ribicoff's proposal is for $3,000 and eventually to go to $4,000. Senator McGovern and Senator Harris have other figures. The National Welfare Rights Organization has $6,500. My question, Governor, is, if you were sitting on this side of the table and working on H.R. 1 from this side of the table this year, what figure would you use?

Governor ROCKEFELLER. Well, we are $4,050 now in New York. I recognize that there are cost-of-living differentials which I suggested earlier be incorporated into the concept. I think that if they were to pick the figure that Senator Ribicoff mentioned, the $3,000 and start with that, with differentials for areas, cost of living and wage scales, that this would be a tremendous thing. I also support the $2,400 which is in the bill, and I think any step to national standards is a tremendous step forward and one that we need to come to.

Senator BYRD. Well, we can't, of course, write both figures into the bill. Which one would you recommend that the committee use if the committee decides to put in a figure?

Governor ROCKEFELLER. Well, I would suppose under present circumstances with your financial situation at the national level that I would stick with the $2,400 which is in the present bill because I think that to go higher than that now could well result in loss of passage of the bill and, therefore, I would take that position.

Senator BYRD. Just one additional question: If we establish the principle of a guaranteed annual income, and by "we" I mean the Congress and the administration, can we justify making it less than the poverty level?

Governor ROCKEFELLER. Well, personally I would prefer not to call it guaranteed annual income because I think that that gives a concept that the person can get it and they don't have to work; and that, therefore, there is a psychological situation here which would result in a lot of people just saying they are not going to work.

Senator BYRD. Are you aware they can do that under H.R. 1?

Governor ROCKEFELLER. Well, I have suggested, Senator, that they amend the bill to require all able-bodied people to spend a number of hours necessary, if they can't get a job in private life, and if they can get it and don't take it then they should be removed from the rolls and they should get the training that they need. And then, after that, if they can't get the job then I think they ought to work in some local project for the number of hours at the prevailing wage to pay for their welfare benefit.

Senator BYRD. But you are aware that H.R. 1, as it stands now, does not require the removal even though an able-bodied citizen refused to work?

Governor ROCKEFELLER. That's right; and that is why I took the liberty of making those recommended changes.

Senator BYRD. And you oppose that aspect of it?

I am afraid I interrupted you so I didn't get the full purport of your reply to this question: If we established the principle of a guaranteed annual income, can we justify making the figure less than the poverty level?

Governor ROCKEFELLER. Well, from an ideal point of view, certainly the answer is yes—I mean no, that you couldn't; but I think that one has to take the realities that we face as a nation and, for instance, for the aged and the blind and the disabled who cannot become self-sufficient, and self-supporting, then I think maybe one could say that whatever the level is that is going to assure them not to live in poverty that this is what should be done. For those who can work, then I would like to see them actually do work, prepare themselves psychologically as well as physically in terms of work habits.

I think this is what has built this country to where it is today and I think we need to preserve that ethic if we are going to preserve the vitality of our country.

Senator BYRD. Thank you, Governor.

Mr. Chairman, could I just make one statement for the record, the statement I made to the chairman privately?

I would like to say for the record that I commend the chairman on the way he handled a rather vigorous meeting of the committee yesterday and I praise him for his self-restraint.

The CHAIRMAN. Thank you, Senator.

Governor, you advocate work for able-bodied persons. Would you include in that a mother with a child or children 5 years old or less?

Governor ROCKEFELLER. Well, I would not make it mandatory. However, there are circumstances in which a mother with children 5 years or less certainly could conceivably find someone who—a member of the family or what not, a grandmother—who can be with the little children and stay there, and permit her to go out and do at least part-time work.

The CHAIRMAN. Because, Governor, if you are going to make it optional with the mother with a 5-year-old or younger child, then by merely not marrying the mother of one's children, a person can have the Government support that mother and children at a fairly comfortable level and have that income in addition to his own earnings, and that—it seems to me—is one of the fundamental problems of the welfare mess that we have today.

Now, it does not solve that problem just to shift the burden from the State over to the Federal Government. You still have the problem and it amounts to a cash incentive.

Governor ROCKEFELLER. I was just wondering, thinking to answer your question, to ask whether there was a provision in H.R. 1 about seeking out the parents of the child and making them responsible.

The CHAIRMAN. Well, I am just talking about the problem here.

Governor ROCKEFELLER. All right.

The CHAIRMAN. The way it stands today, I am told by my welfare director, that according to HEW regulations, and against his better judgment, if he finds a man living in the same house with the mother who admits that those are his children, a man who has a job adequate to support that family, so long as that man makes the pure, self-serving statement that he is contributing nothing to the support of those children, and so long as that mother makes the pure, self-serving statement that that is correct, then he must load those people on the welfare rolls even though that father is capable and legally obligated to support those children. Are you aware of that?

Governor ROCKEFELLER. I am, and I am opposed to the regulations or the ability of a father of the children, whether married or not married, to be able to avoid the responsibility to society for the sustaining of those children.

I would like to see us strengthen the provisions. What we are finding is, and this inspector general which seems to have raised quite a little question here, that people are writing in, that is the best source of information we are getting; they are writing in and saying, "Look, Mrs. So-and-So with six children, you know, is on welfare, but at such-and-such address is her husband; you can find him there any time at these hours." This is very helpful.

The CHAIRMAN. Well, now, Governor, there is just a great deal of reform that we can agree on in this committee and in this Senate by an overwhelming vote quite apart from the central issue of whether you are going to pay people a guaranteed income for not working. It would do a tremendous amount to help you solve the welfare crisis in the State of New York if we were to strike down that one require-

ment, for example, that a father not married to a mother, is excused from the burden of supporting those children. That would be a tremendous help, I would think.

I see you are nodding.

Governor ROCKEFELLER. I think so, too.

The CHAIRMAN. Well, now, in addition to that, we had a district attorney from Arkansas come and testify, something that I couldn't believe until I heard the testimony, that HEW had issued a regulation to foreclose him from obtaining the information to prosecute clear-cut cases of fraud by improper use of confidentiality. They have a regulation, and it was in the record and I will be glad to show it to you, and here it is—you might want to take a look at it yourself—an utterly—well, I have tried to give it the best, dignified term I can—an utterly ridiculous regulation.[1]

Would you mind taking a look at the parts that are highlighted there in that excerpt?

Governor ROCKEFELLER. They haven't moved into us yet, Senator.

The CHAIRMAN. You are next.

Governor ROCKEFELLER. In our investigations. Evidently, they are too busy out there, but they have let us use the information that is available.

The CHAIRMAN. Governor, you are next in line, because there is a regulation. [Laughter.] There is a regulation whereby they undertake to prevent a district attorney from doing his duty—his duty to prosecute persons who fraudulently obtain money from the Federal aid program—an utterly ridiculous use of confidentiality.

Governor ROCKEFELLER. That's right.

The CHAIRMAN. I helped to put into effect the Louisiana program which, at one time, had more aged people on the assistance rolls than the State of New York. That was before you became Governor, but it was a very liberal program. [Laughter.] And we wanted to protect the confidentiality of the aged and prevent them from being embarrassed, so when the issue came up, we agreed that even the newspapers could see who was on those rolls, and inform themselves about the subject, with only an injunction that they should not needlessly embarrass anybody by publishing those names in the newspaper. I guess they could probably get away with it if they did, but they respected the reason for the confidentiality, and, I think, everyone else would.

But wouldn't you agree with me that it is utterly ridiculous to deny a district attorney or a grand jury access to the welfare files for the purpose of discovering whether someone is on there by fraud?

Governor ROCKEFELLER. No, I agree with you, sir; and I think this has got to be done. I don't think we want to embarrass or destroy the needy people who are following the rules and doing this thing according to Hoyle; but I think that for those who are cheating, and maybe it is only a small percent, maybe it is a larger percent, but I think we should be able to get those people off the rolls not only because of the money, but I think one of the things that is happening is that it is undermining confidence in the program in the country, and, there-

[1] CLERK'S NOTE.—The regulation referred to appears on p. 855.

fore, those who have burdens, and a great many people throughout this country, with heavy taxes, are becoming increasingly resentful, and it is a very serious situation. So if they feel that we are really going after seeing to it that only those who need it are getting it and they ought to get what they need to really help them, then I think they would have more confidence in the program. So I think this could be a very important step toward reestablishing confidence in the program.

The CHAIRMAN. We have overlooked one little item that we ought to take care of, and will. We ought to make it to the mother's cash advantage to help her pursue the father. I regret to say for the most part it is not to her advantage at the present time. What she gets in terms of a payment is a complete deduction from the welfare check. In my judgment, we ought to at least treat it the same as earnings so that she could keep the first $30 or the first $50 or $60 that she gets.

Now, in addition to that, Governor Reagan told us that they picked out about 60 cases of men who had left their families, who ought to be made to support those families, and rather than protecting the confidentiality of those men, they proceeded criminally in those cases, publicized those cases, and in the same county where that happened, 700 fathers showed up to admit their family responsibility and start supporting their children. Now, there is a great potential right there, would you agree?

Governor ROCKEFELLER. Excellent.

The CHAIRMAN. Now, we had Mr. Roger Freeman before us here testifying against what he feared with regard to this program and he said this:

> No combination of benefits or earnings and benefits can alter the fact that a man can still maximize his and his family's income by desertion. He can then keep whatever he earns, instead of only one-third as he would keep under H.R. 1, and let his family be supported by AFDC. This can be corrected only by direct action against the absent father, action that is today sporadic or nonexistent.

And he goes on to say under H.R. 1 that would still be the case.

What is your reaction with regard to that problem?

Governor ROCKEFELLER. I would like to ask Mr. Van Lare, who is deputy director, what is your answer.

Mr. VAN LARE. There are two options, Senator, both under current law and under H.R. 1—I mean two approaches: One is to reduce the benefit to the family, the mother and the children, in the hope that will put sufficient pressure on the father, the deserting father, to make a contribution.

The second, which we are trying to pursue in New York, is to look at our own court procedures, our own support procedures, to see whether by going at it the other way, of putting the pressure on the deserting father through tightening the prosecuting steps, speeding up the court processes, speeding up the enforcement payment orders, we can have the same impact.

The CHAIRMAN. Well, a number of things we can do in addition to that—we can garnishee his wages. I know that some employers don't like to cooperate with garnisheement procedures and fire a man if they find his wages are being garnisheed; and we might make it against the law for the employer to dismiss the employee because his wages are being garnisheed. That might help

In addition to that, as under H.R. 1 we might set up some method of determining what the father would be required to pay and let the father owe that to us. Then when the father gets ready to retire, for example, simply deduct that from the social security retirement benefits. [Laughter.]

But there are various and sundry ways that we could get at these fellows who do not do their duty toward their children and find it more desirable to shift the burden of supporting their children onto the backs of other workers. Basically, isn't that what it is when a man leaves children so as to force the taxpayers to support them?

Governor ROCKEFELLER. Exactly.

The CHAIRMAN. Now, this witness also made the point that you really can't make people work if they are not willing to work. He said, just as you can lead a horse to water but you can't make him drink, he said that:

> Anyone who does not want to be hired can easily make himself unacceptable to a boss or interviewers by slovenly or repulsive appearance, disheveled clothing, by negative or provocative replies or any of a hundred ways. Should he be hired nevertheless or discover only after taking a job that he does not like it, he will have no difficulty getting himself fired by absenteeism, sloppy work, damage to equipment, antagonism toward co-workers or superiors, by feigning illness or disability.

Do you agree if a person does not want to work it is practically impossible, in fact it is more troublesome than it is worth, to get him to do something?

Governor ROCKEFELLER. No, I don't—quite—because it depends upon what kind of work. I think that if you had, Senator, in the provisions of law that all able-bodied people have to work, and if he does just the kind of things you have been talking about, you know, so as to get himself fired or not get the job, then under what we are proposing he would have to spend so many days at prevailing wage working for the city or the county or whomever it is, in the park or on the streets or in the vacant lots cleaning them up.

Now, he can be pretty sloppy; it still wouldn't affect picking up papers or helping clean the streets and I don't see any reason why our community shouldn't be spic and span, with people who are supporting the local effort by actually giving time, and I think a great many of them will find that out after that; for instance, the National Boy Scouts have made this year, the year of ecology, and they are cleaning up highways and communities and so forth, picking up the beer cans and the other things that are dumped around and this has been a big deal. And they have enjoyed it from what I understand. In our community it is quite a lark and members of the community provide lunch and so forth and this thing has been an exciting experience and they feel they are making an important part of a contribution to economy, to restore our community. We have to get some pride back in our communities. I think these are parts of a total program which are essential if it is going to work.

The CHAIRMAN. Well, now, what would you pay as a prevailing wage or someone to help clean the place up? What would you have to pay in New York City?

Governor ROCKEFELLER. Well, it would be a little higher than it might be somewhere else, but our minimum wage is $1.85. Now, we wouldn't pay them—this would be working off the welfare check.

The CHAIRMAN. Well, now, suppose——

Governor ROCKEFELLER. This is a very sensitive point because a lot of people bitterly oppose this idea.

The CHAIRMAN. Well, now, suppose there are people who don't want to do that. Suppose they do go out there on a street, visit around, talk about matters of the day, but don't pick up anything or pick up very little? Would you still pay them $1.85?

Governor ROCKEFELLER. No, he wouldn't be in position then to pick up his check.

The CHAIRMAN. So you would then suggest that they be terminated from the welfare rolls?

Governor ROCKEFELLER. That's right.

The CHAIRMAN. Because they didn't do what was expected of them?

Governor ROCKEFELLER. That is right, provided they are able bodied.

The CHAIRMAN. I assume then when you do that you are going to be sued by the poverty lawyers who will say these people are entitled to a hearing, entitled to a lawyer, entitled to appeal, and they must be kept on the rolls all during the time they are doing all that? How would you handle that?

Governor ROCKEFELLER. Just like we do now.

The CHAIRMAN. Go through all that process?

Governor ROCKEFELLER. Of course. I just think it is essential. We hopefully will be doing it then with some Federal laws which will support what we are doing.

The CHAIRMAN. That gets me to one further point: The way it stands today, the HEW regulations require, if a person is totally ineligible before you can take him off the rolls, you have to provide him a hearing, then you have to provide him a lawyer?

Governor ROCKEFELLER. That's right.

The CHAIRMAN. Now, you find him ineligible; you still have to keep him on the rolls while you are having an appeal and you provide him a lawyer for an appeal, all at Government expense; and then only after the appeal has been finally decided does that lawyer's service terminate and does the welfare payment terminate. Does that make any sense to you? During all that period of time you had a totally ineligible person on the rolls and you are paying not only for him but a lawyer as well.

Governor ROCKEFELLER. Well, sometimes, Senator, I don't—if it is in the law—I don't fight too much about it because I have got so many other problems so I just try to cope with it and, if the law says what you are saying, and there are going to be lawyers and the law's intent is to protect those people who were being unlawfully or illegally put off welfare rolls or mistreated, then they ought to have lawyers and that is fine. But as long as we have got a clear program and the program embodies the concept that able-bodied people will work and if they need help they will get it, but that they will do their share in the community of helping make the place a decent place to live, including for themselves, then I think we can cope with it.

The CHAIRMAN. Governor, the only law that says that you must keep——

Governor ROCKEFELLER. Mr. Van Lare, you will be happy to know, says now we are suing HEW itself over this very question; that they

have gone further than we think the law says, so we are reversing the process and we are suing them.

The CHAIRMAN. Well, the only law——

Governor ROCKEFELLER. We don't get any Federal help for this.

The CHAIRMAN. You are going to get some help for that. The only law that says that you must continue ineligible people on the rolls after you have found them to be ineligible is a mandate by some nameless person down there in HEW who dreamed up this thing following a court decision.

Governor ROCKEFELLER. Sure, that is why we are suing them. We want to find that guy. [Laughter.]

The CHAIRMAN. Fine, Governor; that will help.

Governor ROCKEFELLER. Barry tells me that we get 50 percent of the costs under the matching funds for our lawyers. [Laughter.]

The CHAIRMAN. Governor, if I had my way about it, we would pay 100 percent of whatever legal expense is involved in your proceeding against people who don't belong on the rolls. I would think that is the least we can do.

Governor ROCKEFELLER. We will take the money in any form. [Laughter.]

The CHAIRMAN. What do you think of the suggestion that we should permit a person to have only one social security number?

Governor ROCKEFELLER. It seems to me that is kind of a sound idea.

The CHAIRMAN. That will be suggested.

Governor ROCKEFELLER. I thought that was part of the system.

The CHAIRMAN. No, oddly enough, Governor, that is part of the problem; a fellow can get all the social security numbers he wants.

Governor ROCKEFELLER. That is why we wanted to put the social security number of the father of the child on the card so we would be able to identify who that father is and help, you know, locate him because we use our own files on this; and we are in pretty reasonable shape.

The CHAIRMAN. We will try to see to it if he wants a second social security number that they must at least cancel out the first one so he can't be using two or three different social security numbers to get more on welfare.

Governor ROCKEFELLER. Hear, hear.

The CHAIRMAN. Now one other thing concerns me. We have had some suggestions that it might be well to pay less than the minimum wage or less than the prevailing wage for these type of makework jobs that would have to be created to give a person an opportunity to do something for his keep. We are thinking in terms of work that we have been getting along without up to now. You can put a lot more people to work picking up litter than you have now and the streets ought to be cleaner, but these are marginal jobs. Would you mind enlightening us as to what sort of problem we will run into when we approach that problem? I assume that our friend from organized labor would like to insist that the minimum wage or the prevailing wage be paid even if the job is totally unnecessary, and you are doing it just to give the person the dignity of doing something for his money.

Governor ROCKEFELLER. Well, I understand the point you are making and it is a very good one; and I think you will run into that problem.

If you approach it the other way, though, and say that the man has to—who is ablebodied—has to spend time, a number of hours, at the prevailing wage doing this work, not to get extra money but to earn his welfare check—we went, and this is—I am going in relation to what you say—we went to the Sanitation Workers' Union and we negotiated with them on this subject to see whether we would run into the problem you are talking about and they said no—

If these people are working off the welfare payment we will be glad to cooperate and we will provide the leadership and the guidance and so forth in the field where they are doing the work and this will be supplemental work.

and you see this way they are not paid because what I worry about, of course, on this public service jobs program is that Congress will do what it does in so many other areas, they start a new program, get a lot of credit and then they get tired of putting up the money and then they will quit the money and we will be left with no money and all the people, which I just think is going to be an impossible situation and that I can understand why it would happen.

So I would really be opposed to that program and really think you ought to do it the other way around, where you don't have any problem at all.

The CHAIRMAN. How do welfare mothers feel about being asked to work off the welfare checks that have been paid? What is their reaction to it?

Governor ROCKEFELLER. Well, I can't give you from personal experience but I would have to assume just on the basis of human nature if a welfare mother is going to work in a day care center to work off her check that this kind of work is constructive work; it is helping some other mother, so she can go to work; I think we are going to get a very good response and I know a lot of girls, young girls 15 to 18, doing the same thing and being very helpful, learning it and profiting by it.

The CHAIRMAN. Well, thank you very much, Governor. We appreciate your statement here today. You have given us a lot of very good information.

I would like to ask one further thing: Would you mind stating your experience down at HEW? You were over there for quite a while?

Governor ROCKEFELLER. I was Under Secretary of HEW working for Mrs. Ovetta Culp Hobby who was then the Secretary.

The CHAIRMAN. In which program were you particularly involved at the time—the whole program or certain parts?

Governor ROCKEFELLER. Well, what happened was, I was first working with the President on Government reorganization and recommended to him that they take and create from this welfare agency a department and elevate Health, Education, and Welfare to the Cabinet status. That was—he took that program (recommended it to Congress; it was a reorganiaztion program and that is how the Department was created; and then Mrs. Hobby went in and she asked me to join her and what we did was we took each program and then studied it and then studied the conditions as of today and then suggested legislation to Congress in each area, so I worked very closely with all of the areas.

The CHAIRMAN. Thanks for your contribution here today, Governor.

Governor ROCKEFELLER. Thank you very much for inviting me and for what you gentlemen are doing in this very important field. Thank you.

(The following additional materials were subsequently received from Mr. Robert R. Douglass, secretary to Governor Rockefeller. Hearing continues on p. 2210.)

BRIEF OUTLINE OF ADDITIONAL MATERIAL

—Comments by the Department of Social Services on H.R. 1.
—Copies of all the legislation which served to implement the New York State welfare reform program.*
—Copies of correspondence with HEW over the legality or appropriateness of various elements of this legislation.*
—A comparison of caseload growth for 1972 and 72–73 as we currently see it and as compared to projections we would have made prior to the reform program.
—Estimates as to the number of welfare recipients who go on welfare within one year of coming into the state.
—The latest ADC characteristic material showing the place of birth of welfare mothers in New York.
—Statistical data demonstrating the impact of the welfare reform program.
—The outline of a joint federal/state study of the check pick up program* and a brief summary of tentative findings. (The final report is not yet available.)
—A report on the work relief program.
—A detailed summary of the two demonstration projects and the current status of their implementation.
—A compilation of the various monthly reports which we have issued on the welfare reform program, including detailed reports from both the Social Service Department and the Employment Service:
1. 6 month statistical summary.
2. Governor's press releases.
3. Monthly employment services statistics.
4. Monthly social service statistics.*

NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES—HIGHLIGHTS OF H.R. 1

1. *Section 207.*—Establishment of incentives for States to emphasize comprehensive health care under Medicaid

Decrease in the Federal medical assistance percentage by 33⅓ percent for inpatient services furnished in a hospital for mental diseases after 90 days after June 30, 1971 and for up to an additional 30 days if the State agency demonstrates that such additional days would provide an opportunity for continued therapeutic improvement. No Federal payments after the individual has been furnished such services for a total of 365 days during his lifetime.

Impact: For Federal fiscal year 1972–73, the estimated loss in Federal funds to New York State is $72.6 million.

Recommendation: Federal reimbursement for such care after 365 days, even with a further reduction in the medical assistance percentage.

2. *Section 512.*—Authorization and allotment of appropriations for services

Provides for a ceiling on amount to be appropriated for services, this affecting a major change from the current policy of open-end sharing of service costs.

Impact: Based on an $800 million nationwide appropriation for services for Federal fiscal year 1972–73 which would be allocated on the basis of projects 1971–72 service expenditures, New York State would lose an estimated $35.6 million in Federal reimbursement.

Recommendation: An increased appropriation for services reimbursement which would provide for a larger allocation or continuation of the current open-end sharing.

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* This was made a part of the official files of the committee.

3. *Section 513.*—Adoption and foster care services under child welfare services program

Provides for Federal participation in the maintenance costs of children in foster care, within the limits of the appropriation. ($150 million for fiscal year ending June 30, 1972; $165 million for year ending June 30, 1973.)

Impact: For Federal fiscal year 1972–73, projected New York State expenditures for foster care are $207 million, of which $4 million will be received in Federal reimbursement under current provisions. From the $165 million federal appropriation, the estimated share for New York State is $13.2 million—a $9.2 million increase.

Recommendation: An increased appropriation for foster care reimbursement.

4. *Section 2016 and 2156.*—Optional State supplementation

Provides for optional State supplementation to the benefits payable under Title XX (AABD–Section 2016) and Title XXI (FAP–Section 2156).

Impact: Except for the "hold harmless" provisions of Section 503, there is no Federal participation in optional supplementary payments. For 1972–73, it is estimated that the State will fiscally benefit from HR–1. Since the "hold harmless" provisions are applicable to the payment level of January 1971, in subsequent years, if payment levels are increased, the State-local expenditures for supplementary payments will increase.

Recommendation: To include a provision in Section 503 to provide an adjustment in the "hold harmless" for increased payment levels or provide in Sections 2016 and 2156 for Federal participation in the optional supplementary payments.

5. *Section 2152(d).*—Payment of benefits, period for determination of benefits.

Provides that in determining benefits income received in each quarter will be adjusted by any income received in any of the three preceding quarters.

Impact: As a consequence of this procedure it would be possible that families who have no current income would be ineligible for payment because of income received in the prior quarters. While the principle contained within the bill for computing benefits on the basis of past income appears to be equitable, it will result in disqualifying families who have no current income. Moreover, as the bill now stands, emergency payments made from public assistance funds other than allowances authorized under a state supplementation plan would not be disregarded in computing benefits, hence the family would be further penalized because the emergency grant would be deducted from the current benefit payments.

Recommendation: At least for new applicants, that they not be penalized for failure to set aside past earnings and that they be made eligible on the basis of current and prospective income.

NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES—COMMENTS ON H.R. 1

H.R. 1 MEDICARE, MEDICAID, AND MATERNAL AND CHILD HEALTH PROVISIONS

Section 201(a).—Health Insurance for the Aged and Disabled

We have a sizeable caseload where we supplement OASDI benefits, and provide Medical Assistance. As a result, it would be in our interest for the OASDI beneficiary to qualify for health insurance under Title XVIII earlier than the 24 consecutive months proposed.

Section 204.—(Deductibles) and Section 205 (Co-insurance)—Title XVIII

The continuation of the deductible and the limit on the number of days of care before co-insurance applies will place a financial burden on the State under Title XIX for Medicare-Medicaid eligibles.

Section 207.—Incentives for States to Emphasize Comprehensive Health Care Under Medicaid

1. *Health Maintenance Organizations, etc.*

The recently enacted State Law related to non-profit medical corporations, health service corporations and prepaid comprehensive health care plans imposes so many requirements for establishment (albeit desirable) that it is unlikely the State can expect many to become operational in the first few years, so the 25% additional reimbursement will likely have little immediate fiscal effect for New York State.

2. *Limitation on Hospital Care*

Limitation on hospital care to 60 days during a fiscal year, with decreased Federal financial participation thereafter, will have fiscal impact on New York State.

3. *Limitation on Nursing Home Care*

Limitation to 60 days, with decreased Federal financial participation thereafter, will have a serious fiscal impact on New York State as the majority of nursing home patients are long-term care cases. This is especially true of those in the skilled nursing home sections of the State Schools for the Mentally Retarded.

If this provision is enacted in the final bill, the Departments of Social Services, Health and Mental Hygiene must arrange procedures which assure that the utilization review requirements for the extension of care are such as to assure no loss of Federal reimbursement where additional nursing home care is clearly a medical necessity.

4. *Limitation on Stay in Mental Hospital*

Limitation to a stay of 90 days, with a reduction in Federal reimbursement thereafter, will mean a serious fiscal disadvantage to New York State, particularly when patients have been in Mental Hygiene facilities for a period of years and for whom no other suitable arrangements can be made.

If this limitation is contained in the bill as finally enacted, the Departments of Social Services and Mental Hygiene must arrange procedures whereby Mental Hygiene certifies the need for 30 days' additional care for all patients who can benefit from continued therapeutic care.

Section 208.—Cost-sharing Under Medicaid

Money Payment Recipients

It would appear that any deduction or cost-sharing by money payment recipients (or persons eligible for such payments) for optional medical services is without any logical basis. Assistance payments and/or standards are exclusive of medical costs, and to permit use of any portion of such grant for medical costs reduces the funds available for basic needs. This provision is not mandatory upon the states.

Section 224.—Limits on Prevailing Charge Levels

Although the determination by a state that its charges do not exceed the 75th percentile is a complex determination to make, such limits should be cost controlling.

Section 225.—Limits on Payment for Skilled Nursing Home and Intermediate Care Facility Services

Inasmuch as increases in wages account for a high percentage of the increase in costs for these facilities, and there is provision to increase the Federal percentage to include additional costs due to increases in Federal minimum wage levels, the limitations may have great appeal to many states.

However, in New York State where personnel of such facilities, especially in nursing homes, are highly unionized (demanding wages far in excess of minimums), it seems probable that application of the formula in New York State could result in either putting many needed facilities out of business, or assuming payments beyond those derived from applying the formula at State and local expense.

Section 230.—Elimination of Requirement for States to Move to Comprehensive Medicaid Program

This is a highly regressive provision. Assuming, however, it is essential, the validity of the basic services, as now defined, to meet essential medical needs should be reconsidered. The most obvious service not now included in the basic services on an outpatient basis is pharmaceutical service. Payment for physicians' services, without concomitant payment for the medications they prescribe, is not only penny-wise and pound-foolish, but is very poor medical care.

Section 231.—Reductions in Care and Services Under Medicaid

This relates to the Anderson Amendment (Section 1902(d) of the Social Security Act). It appears that the amendment stands much as it was previously. (See comment regarding Section 230 above.)

Section 239.—Use of State Health Agencies to Perform Certain Functions Under Medicaid

This section provides for the state health agency, or other appropriate state medical agency which licenses health institutions, to perform that function for Medicaid. This is current practice in New York State, and we would support this part of the requirement.

It is also proposed that the health agency establish a plan for review by appropriate professional health personnel of the appropriateness and quality of care and services provided to recipients. This is also the present arrangement in New York State, but the divided responsibility for Medical Assistance between Health and Social Services has created many difficulties particularly related to the provision of data needed for review.

Sections 251, 252, 253.—Miscellaneous Provisions

Applicable to Title XVIII only. Could possibly result in some limited decrease for such services under Title XIX for the Medicare-Medicaid eligible.

Section 255.—Coverage Prior to Application for Medical Assistance

This section adds as mandatory, rather than optional, payment for outpatient medical services provided in or after the third month before application.

Previously only inpatient services were so covered. Inasmuch as inpatient services are the most expensive, one can assume that payment for outpatient services will not add considerable cost to the program.

Section 505.—Determinations of Medicaid Eligibility

Would support this *optional* provision which permits the Secretary of DHEW to enter into an agreement with any state which wishes to do so, whereby DHEW to enter into an agreement with any state which wishes to do so, whereby DHEW would determine eligibility for Medical Assistance.

General Comment

It is impossible not to be aware that many of the changes in Title XVIII represent a lessening of Federal financial participation in the program, and a shifting of additional expenses to individuals; or, in the case of Medicare-Medicaid eligibles, the shifting of expenses to Title XIX—with increased cost to the State and local districts.

H.R. 1 TITLE XX—ASSISTANCE FOR THE AGED, BLIND AND DISABLED

Section 2011.—Eligibility for and Amount of Benefits

Subparagraph (e)(1)(A) provides that no person will be eligible for any month throughout which he is an inmate in a public institution other than certain medical and health related facilities.

It is recommended the language be changed to exclude *only* penal and correctional institutions thereby providing individuals in public homes, state mental hygiene facilities, etc., with benefits.

Subparagraph (e)(3)(C) defines drug abuse and alcohol abuse by reference to other Federal statutes. A suggested definition for inclusion might be: "utilization of drugs or alcohol has impaired the functioning of the individual by reason of health, social relationships, and earning ability."

Subparagraph (e)(1)(B) defines eligible institutions but omits reference to rehabilitation facilities. Such facilities should be included.

Section 2012.—Income

Subdivision (b)—Exclusions from Income. The subdivision generally spells out various income exclusions. The blind—$85/mo. + ½ the balance as well as expenses attributable to earning such income. The disabled receive the same exemptions as the blind except there is no exclusion of expenses attributable to earning such income. The aged receive $60/mo. + ⅓ the remainder.

The Social Security Act currently has optional variable income exclusions, some of which New York State has adopted, which were based on historical develop-

ment of specialized treatment. In order to provide equal treatment to all, a uniform income exclusion is recommended.

Section 2014.—Meaning of Terms

This section is generally acceptable except there is no provision here or in any other part of the bill to provide assistance to an "essential person." It is recommended such a provision be included at least in the instance of a spouse.

Under current provisions, the needs of a PA eligible person, whether relative or non-relative of the recipient, whose continued presence in the home of the recipient is essential to the well-being of the recipient, may be included in the grant and subject to Federal participation. (E.g., the 58-year-old wife of an AD recipient would otherwise be an HR recipient.)

Section 2016.—Optional State Supplementation

Subdivision (*b*) provides that a state which chooses to supplement Title XX benefits must provide for all income exclusions and earnings incentives as specified in the law. Otherwise, any such supplemental payment would be considered unearned income and would reduce the Title XX payment by the total amount of the state's payment.

We feel that there should be a ceiling on the income used to compute the exemption.

Subparagraph (C) (*1*) permits a state making a supplementary payment to disregard up to the first $7.50 of any income in addition to other exclusions. It is recommended that such an exclusion be made a part of section 2012, whereby it would become a mandated exemption.

Subparagraph (*e*) (*4*) permits the advancing of up to $100 cash where eligibility is presumptive and providing for payment of benefits to a disabled person for up to 3 months prior to determination of disability when the person is otherwise eligible.

It is recommended that, rather than providing only a $100 advance, *all* presumptively eligible individuals be provided benefits for up to 3 months.

Section 2016.—Optional State Supplementation

Except for the "hold harmless" provisions of Section 503, there is no Federal participation in optional supplementary payments. Since New York State has public assistance standards substantially higher than the benefit level of Title XX, the State would receive fiscal relief from Federal sharing in the supplementation.

H.R. 1 TITLE XXI—OPPORTUNITIES FOR FAMILIES PROGRAM AND FAMILY ASSISTANCE PLAN

Sections 2111 and 2114.—Suitability of Employment

There is some question as to whether the statutes permit an individual to appeal the determination of the Secretary of Labor as to an individual's appropriateness for employment or the suitability of employment in which he is required to engage.

It is recommended that there be appropriate appeals machinery.

Section 2112

This section makes provision for the Secretary of Labor to arrange for child care services and for various supportive services for persons registered in the "Opportunities for Families Program." It authorizes the Secretary to deal directly with public or private facilities for care or services, thus disregarding the current structure of organization, regulation, supervision by state government. It is recommended, therefore, that the section be amended to indicate that priority should be given to state welfare agencies in contracting for care or services. This could be done by adding such language as, "whenever practicable, state welfare agencies shall be used to provide child care services and other supportive services on a priority basis."

Section 2114.—Operation of Manpower Services, Training, and Employment Programs

Subdivision (*a*) provides that first priority be given to mothers and pregnant women who are under 19 years of age in the development of employability plans. The priority consideration of pregnant women is highly questionable. It is recommended that priority consideration be given first to all persons under 22 years of age and that second priority be given to males under 45 years of age. These

priorities are based on the importance of providing effective manpower services for youth and for those adults who have the greatest potential for successfully moving into the private economy.

Subdivision (*c*) (*6*) provides that the Secretary of Labor shall make payments for no more than three years on a declining percentage basis for an employee in a public service program. We recommend that the payments be made on a modified basis and phased out over a four-year period, as follows: first year, 90%; second year, 85%; third year, 80%; fourth year, 75%. It is recommended that the statute be revised to require appropriate grants in cash or kind by state and local governments, and specify that such arrangements shall be pursuant to an agreement reached between the state and the Secretary of Labor. From the standpoint of New York State, there will be a need to make a policy determination as to the source of funding for meeting the non-Federal share.

Section 2115.—Allowances for Individuals Participating in Training

Subdivision (*c*) excludes from the training incentive allowance of $30 per month an individual participating in manpower training which has the purpose of obtaining for him an undergraduate or a college degree at a college or university. It is recommended that this provision be revised to grant the incentive to only those individuals attending a two-year college program with a vocational objective. Such two-year college program participation is common under the Work Incentive Program and should be carried over to Title XXI.

Section 2133

This section is similar to 2112, and gives authority to the Secretary of Health, Education and Welfare to provide child care services. The section should be amended in the same way as is suggested for Section 2112 to indicate that priority should be given to use of state welfare agencies. A detailed analysis is being made of other child care bills that will be available shortly.

Section 2134 (*a*)

This section directs the Secretary of Health, Education and Welfare, with the concurrence of the Secretary of Labor, to set standards for the quality of child care services. As such standards would be applied nationwide they would override those of individual states. Since a nationwide standard might, in some particulars, be set at a lower level than those already established by New York State, it is recommended that in order to preserve those higher standards which New York or other states may have attained, that language such as the following be inserted: "*to set minimum standards for child care provided however that the Secretary of Health, Education and Welfare may approve state or real standards which exceed the Federal minimums . . .*"

Section 2152.—Definition of Eligible Family

Subdivision (*a*) does not provide benefits for a pregnant woman without other children.

The subcommittee recommended that benefits be available for such person from the point of verified pregnancy.

Subdivision (*b*) provides that there be no additional benefits paid for family members in excess of eight persons. It is recommended that benefits be paid for each family member no matter how large the size of the family and that such benefits be in a specified amount as to the size of the family.

Subdivision (*b*) also provides that benefits not be paid when less than $10 per month is required. This should be reduced to $5 per month, at least in the single-person case where such an amount is significant.

Subdivision (*d*) provides that income received in the first quarter will be adjusted by any income received in any of the preceding three quarters. As a consequence of this procedure it would be possible that families who have no current income would be ineligible for payment because of income received in the prior quarters. While the principle contained within the bill for computing benefits on the basis of past income appears to be equitable, it will result in disqualifying families who have no current income. Moreover, as the bill now stands, emergency payments made from public assistance funds other than allowances authorized under a state supplementation plan would not be disregarded in com-

puting benefits, hence the family would be further penalized because the emergency grant would be deducted from the current benefit payments.

It is recommended at least for new applicants, that they not be penalized for failure to set aside past earnings and that they be made eligible on the basis of current and prospective income.

Subdivision (c)(2)(A) establishes a requirement that individuals incapacitated as a result of drug abuse or alcoholic abuse undergo treatment at an institute or facility as approved by the Secretary. Since the reference defining alcoholic abuse and drug abuse are very vague, it is recommended that the law be revised to include an approximate definition. In addition, it is recommended that the requirement for treatment be revised to delete the reference to "institute or facility" so that *any treatment approved by the Secretary be considered acceptable.* New York's methadone program and other outpatient type services could then be included.

Section 2154—Resources

It is recommended that in determining the resources of a family there shall be excluded an amount of $500 set aside as a burial reserve, up to $1,500 per family, provided the family members do not have a life insurance policy of $500 or more face value. Under our current programs, such a cash burial reserve is excluded if there is no life insurance.

It is also recommended that the earnings of children would have been excluded from income determination and shall be excluded as a resource when set aside for future educational purposes.

Section 2156.—Optional State Supplementation

Title XXI Family Assistance Plan. See Section 2016.

Section 2171(a)(4).—Payment of Benefits

This provides that the Secretary may make a cash advance not in excess of $100 to eligible persons who are faced with financial emergency. Since this is a very limited amount, it is recommended that the statute be revised to permit benefit payments for a period up to two months for families presumptively eligible for such benefits.

Section 2171.—Payments and Procedures (Determination of Eligibility)

While this section does authorize the Secretary of HEW to prescribe the requirements for filing of applications and the furnishing of other data and material as may be necessary in determining eligibility for and the amount of benefits, the bill does not give explicit authority to utilize a declaration process and a simplified determination of eligibility. In general, the subcommittee would favor that the requirements proposed for Title XX be extended to Title XXI which appear to be liberal in this respect. However, the committee would not be adverse to requiring applicants (and reapplicants) to submit documentation of current income as a condition of eligibility.

Section 2177

This section requires the Secretary of Health, Education and Welfare to report incidents of improper care or custody of children to state or local child welfare agencies and to the head of the appropriate Federal agency. Since the Secretary of Labor as well as the Secretary of Health, Education and Welfare will in the execution of HR–1 become cognizant of situations of individual children, Section 2177 should be broadened to include reporting to the Secretary of Labor as well as the Secretary of Health, Education and Welfare.

Section 2171

Authorization of $700,000,000 for child care for the Opportunities for Families Program and Family Assistance Plan will be significant for state and local welfare agencies insofar as they are used by the Secretaries of Labor and Health, Education, and Welfare for the provision of these services. Should public welfare agencies fail to engage in the provision of child care services for these purposes, the funds provided will doubtless be earned by proprietary and voluntary facilities.

Section 503—Limitation on Local Liability of State for Optional State Supplementation

Not provided for in the HR–1 supplementation provision is a Federal matching reimbursement formula to the states. We are concerned with the "hold harmless" since it evidently does not tie itself into rises in grants. We believe our state (and other states) would be in a much better position fiscally if there were a reimbursement formula to the states which reflected increased payment levels as well as caseload increases.

Section 511(b)

This section defines services to the aged, blind or disabled. It is recommended that family planning services be added to those services enumerated in the definition.

Section 511.—Definition of Services

The bill provides for certain specific services thereby limiting those services heretofore listed under the federal provisions. Because these limitations would constrict the ability of public agencies to make a comprehensive approach to the many service needs of families and individuals, such agencies would thereby be handicapped in performing their responsibility to assist poor people to become self-supportng and self-maintaining.

Section 512

This section provides for a ceiling on amounts to be appropriated for services, thus effecting a major change from the current policy of open-end sharing of service costs. If open-ended sharing is to terminate, it is recommended that the statute provide for appropriations which will allow for anticipated growth in costs to reflect planned expansion and caseload growth rather than be related percentage-wise to current spending for services. Excluded from the ceiling are day care and family planning services. Consideration should be given to the exclusion of other services.

Section 513

The new Section 427(a) in the definition of adoption services limits payments to cases in which the adoptive child is physically or mentally handicapped. It is suggested that this provision be expanded as follows: "Payments to a person or persons adopting a child who is physically or mentally handicapped, or too hard to place children, as defined by the Secretary."

Provision is also made for Federal participation in the maintenance costs of children in foster care, within the limits of the appropriation. A distribution formula based on foster care expenditures should be considered, in lieu of the formula in the bill which is based on the number of children under age 21.

Section 523.—Optional Modification in Disregarding of Income Under State Plans for Aid to Families with Dependent Children

This section permits a state to modify a state plan to provide, among other things, for exemption of the first $60 of total earned income plus ⅓ of the remainder, plus any expenses incurred by the members of the family for child care.

A COMPARISON OF PUBLIC ASSISTANCE PROJECTIONS BEFORE AND AFTER IMPLEMENTATION OF WELFARE REFORM, NEW YORK STATE FISCAL YEARS 1971–72 AND 1972–73

The two public assistance programs in which the welfare reform program has had the most significant impact are the Aid to Dependent Children program and the Home Relief program. In these programs, which contain virtually all of the employable public assistance recipients, work requirements for employable recipients were made more stringent.

The State Department of Social Services estimates of caseload and expenditures underwent substantial downward revisions between December 1970 and November 1971. The revised 1971–72 budget shows a 96,393 drop in the monthly average number of recipients and a $172 million decline in estimated gross ex-

penditures for these recipients; the fiscal year 1972–73 budget projection also shows a decrease in the monthly average number of recipients (209,000) and a $311 million drop in gross expenditures.

	Monthly average number of recipients	Expenditures (thousands)	
		Gross	State share
1971–72 projections (prepared December 1970)	1,612,375	$1,503,918	$440,782
1971–72 projections (prepared November 1971)	1,515,982	1,332,273	397,405
Change	−96,393	−171,645	−43,377
1972–73 projections (prepared December 1970)	1,786,250	1,719,600	504,202
1972–73 projections (prepared November 1971)	1,577,250	1,408,829	415,474
Change	−209,000	−310,771	−87,728

The success of the more stringent work and reporting requirements for unemployed "employable" recipients has been presented elsewhere in this report. It is difficult to speculate on the extent of the deterrent effect on applications for assistance [the decision of potentially employable unemployed persons to continue seeking emp'oymeni or accept less suitab e emp oyment rather than become public assistance recipients]. Cases containing unemployed persons who are available for employment, however, constitute perhaps 15 percent of all cases in these two categories of public assistance.

NUMBER OF YEARS BETWEEN MIGRATION INTO NEW YORK STATE AND 1ST RECEIPT OF ADC, ADC MOTHERS, NOVEMBER 1971[1]

Years between in-migration and case opening	ADC cases	
	Percent	Number
Total ADC cases	100.0	345,620
Less: Mother born and always lived in New York State	31.7	109,562
Equals: Total migrant ADC mothers	68.3	236,058
Under 1 year	13.0	44,931
1 year but less than 2 years	5.4	18,664
2 years but less than 3 years	3.6	12,442
3 to 5 years	5.7	19,700
More than 5 years but less than 10 years	8.8	30,414
More than 10 years	10.2	35,253
Unknown	21.6	74,654

[1] Based on the January 1971 AFDC characteristics study; sample of 1,663 cases (0.5 percent sample).

Source: Bureau of Research and Evaluation.

BIRTHPLACE OF ADC MOTHERS, NOVEMBER 1971[1]

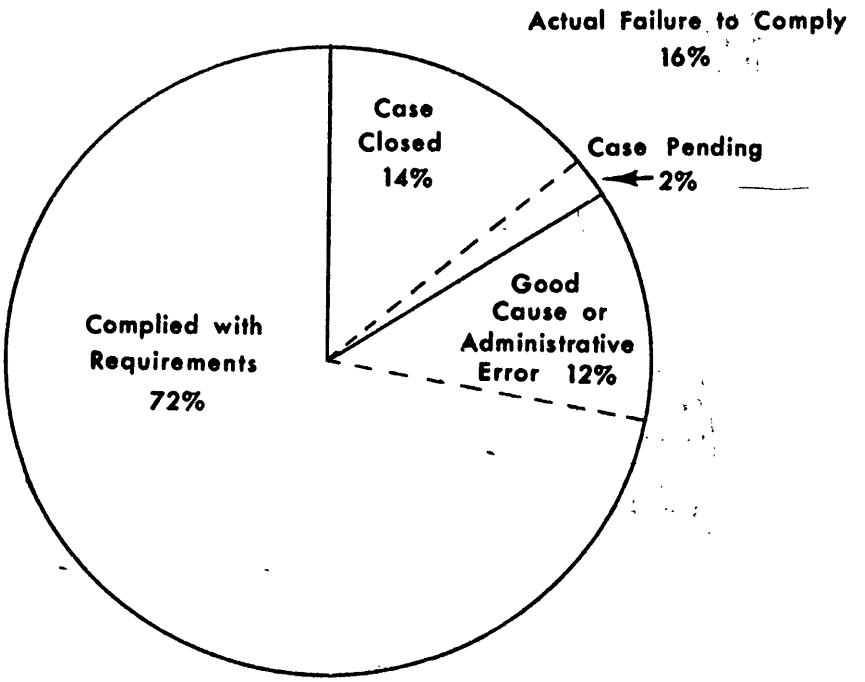
	Percent of cases	Number of cases
Total	100.0	345,620
New York State	34.4	118,894
Southern United States	28.3	97,810
Other States	3.1	10,714
Puerto Rico	25.4	87,787
Other Latin American	3.9	13,479
Other foreign born	2.2	7,604
Unknocn	2.7	9,332

[1] Percentage distribution based on 1971 AFDC charteristics study; sample of 1,663 cases (0.5 percent sample).

DISPOSITION OF PERSONS REQUIRED TO REPORT TO THE NEW YORK STATE EMPLOYMENT SERVICE
September 1971

OF EACH 100 GRANTEES IN THE STUDY SAMPLE...

- 72 COMPLIED WITH THE REQUIREMENTS
- 28 WERE INITIALLY REPORTED AS FAILING TO COMPLY
  - 12 UPON VERIFICATION WERE NOT ACTUAL FAILURES TO COMPLY BUT HAD GOOD CAUSE OR RESULTED FROM ADMINISTRATIVE ERRORS
  - 16 HAD ACTUALLY FAILED TO COMPLY, OF WHICH
    - 14 WERE REMOVED FROM THE ASSISTANCE ROLLS
    - 2 WERE PENDING FINAL DISPOSITION



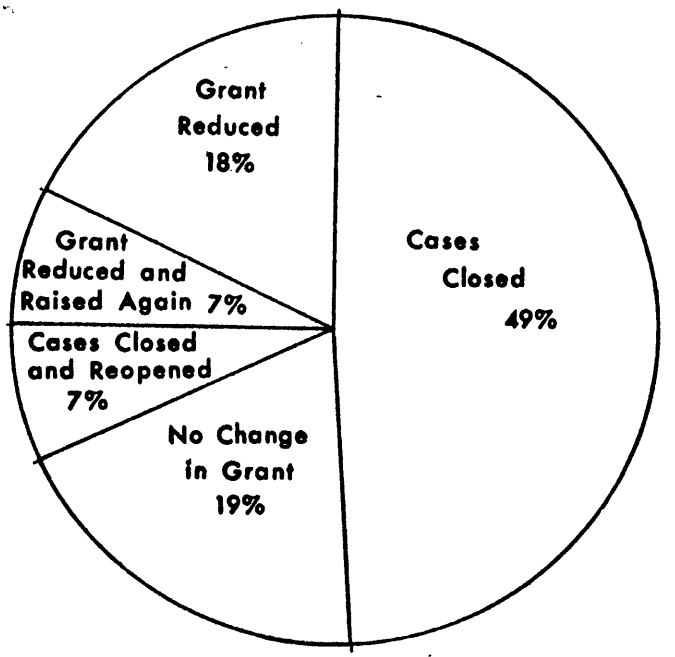
Source: Joint Federal-State Study

PERSONS PLACED IN JOBS DURING SEPTEMBER 1971
SUBSEQUENT DEPENDENCY STATUS

September 1, 1971 - December 31, 1971

OF EACH 100 EMPLOYABLES PLACED IN JOBS DURING SEPTEMBER 1971...

- 67 HAD ELIMINATED OR DECREASED DEPENDENCY WHICH WAS STILL IN EFFECT AT THE END OF THE YEAR
  - 49 HAD LEFT THE PA ROLLS AND HAD NOT RETURNED
  - 18 HAD GRANT REDUCTIONS WHICH WERE STILL IN EFFECT
- 7 HAD LEFT THE PA ROLLS BUT HAD RETURNED
- 7 HAD GRANT REDUCTIONS BUT HAD RETURNED TO PRIOR GRANT LEVELS
- 19 HAD THEIR CASES CONTINUED WITHOUT GRANT REDUCTIONS DUE TO SUCH FACTORS AS: SHORT TERM EMPLOYMENT, LOW PAYING EMPLOYMENT, WINTER FUEL ALLOWANCE, EXPENSES INCIDENT TO EMPLOYMENT, AND INCOME INCENTIVE EXEMPTIONS



Source: Joint Federal-State Study

USDOL-USDHEW-NYSES-NYSDSS—Joint Study of 131.4 PA Referrals to Employment Service

SUMMARY FINDINGS

1. During the period July-October, 1971, a total of 5,966 welfare recipients were placed in jobs under this program. A higher proportion of PA employables (13%) were placed than of all Employment Service job applicants (11%).

2. On most characteristics there was little difference between the PA referrals who got jobs and those who did not get jobs. However, the latter included a significantly higher proportion of persons with long term unemployment—indicating a lesser degree of labor force attachment than that of the persons who got jobs.

3. Of the 455 recipients in the study sample placed during September 1971, by the end of November one-third were still employed, one-third had quit their jobs and the remainder had been laid off. Forty percent of the lay-offs resulted from lack of work, 26% were because the recipients were not qualified, and 20% were because of absenteeism or illness.

Generally these results are comparable to statistics on overall placement experience of the Employment Service for entry level occupations, where turnover is unusually high. The high rate of unemployment existing since the welfare reform program went into effect is another factor undermining the ability of welfare recipients, as well as other persons, to retain jobs in the present economy.

4. Of the persons in the study who were placed in jobs during September 1971:

	Percent
Cases closed and were not receiving assistance on December 31, 1971	49
Cases closed, but the cases were again opened and receiving assistance on December 31, 1971	7
Cases continued without any change in grant amount	19
Cases continued with a reduced grant which was still in effect on December 31, 1971	18
Cases continued with reduced grant, but it was raised again and in effect on December 31, 1971	7

5. Of every 100 grantees referred to the Employment Service, 28 were initially reported as Failures to Comply. Twelve of the 28 were not actual Failures to Comply and would not have been in the system under conditions of perfect instantaneous information flow. Of the 16 actual Failures to Comply, 14 were removed from the welfare rolls by case closing or removal of the employable person from the grant.

The following material provides general background information regarding New York State's "work-for-welfare" program.

I. WORK FOR WELFARE—WHAT IS IT?

Able-bodied welfare recipients for whom day care is available, or not needed, are expected to "earn" their welfare grant by engaging in productive work;

Work projects are developed in governmental agencies and may include jobs such as day care trainees, teachers aides, sanitation helpers and clerks . . . any legitimate public service;

Relief recipients are required to work the number of hours that are necessary to "earn" their grants at the minimum or prevailing wage;

Recipients are given allowances for transportation, meals, and other work related expenses; and,

Recipients may not replace current employees.

II. GENERAL BACKGROUND

During the 1971 Legislative Session you proposed, and the Legislature agreed to, bills which mandate "work-for relief" projects for both Home Relief and Aid to Dependent Children recipients;

Because of Federal objections, it was not immediately possible to implement the law for ADC family members who are employable;

In order to see that "work-for-welfare" was made available to ADC recipients you developed a demonstration project under which this program would be required in 25% of the welfare districts in New York; and,

Negotiations, which began almost a year ago, have led to Federal approval so that the project is expected to begin in April.

III. STATUS OF "WORK-FOR-WELFARE" FOR HOME RELIEF RECIPIENTS

The law mandating these programs became effective July 1, 1971;

On a statewide basis some 5,500 persons had been placed in work programs as of December, approximately 3,800 of these are in New York City;

An additional 3,000 placements are expected by March 1; and

Eventually, over 20,000 persons are expected to work in these projects.

IV. PROBLEM AREAS

Implementation of the "work for relief" program has led to the discovery of a number of problem areas, including:

A. Towns, villages and other governmental units require careful preparation before they are willing to serve as job sponsors;

B. Special arrangements must be made to see that transportation is available to low income families;

C. Expanded resources are needed for conducting pre-referral screening and physical examinations;

D. Severe local budget limitations have made it difficult to secure the staff needed to screen and follow-up on clients who are referred;

E. Sponsors have shown a reluctance to invest in the training and supervision of project participants because many couldn't be depended upon to show up on the job with any regularity or to work consistently;

F. In a large number of cases, the time a person was referred to "work off" assistance is limited because of the size of the grant received and it is possible as many as three persons could fill one slot within a week's time;

G. Job development needs to be directed to the particular abilities of the client and available opportunities have not always matched client abilities;

H. Some of the original work slots were seasonal and assignments have been limited accordingly; and,

I. Supervisory costs and the costs of transportation, meals and work related expenses have been higher than anticipated. ($40–$100 per month)

IV. NEXT STEPS

A. Federal aid

It would appear clear that additional steps will be required to implement these projects on a broader scale.

One such step would be to make available federal aid for the administration of such programs. (In the long run this would appear to be a cheaper alternative than a major extension of the Emergency Assistance program.)

B. New job opportunities

Project participation and actual job opportunities may also be enhanced by allowing the placement of recipients in non-profit agencies such as hospitals and nursing homes.

MEMORANDUM

STATE OF NEW YORK,
DEPARTMENT OF SOCIAL SERVICE,
February 15, 1972.

To: Edward Maher
From: Seymour Katz
Subject: Incentives for Independence and Public Service Work Opportunities Projects

As per your request, I am attaching status reports for the Incentives for Independence and Public Service Work Opportunities Projects.

I am also attaching pamphlets that have been prepared for the Incentives for Independence Project, which provide information concerning what the project consists of. I am also attaching a draft of a pamphlet for the Public Service Work Opportunities Project. I think this provides information on what the project consists of, but it is being revised.

STATUS OF IMPLEMENTATION

I. Incentives for independence

Letter from HEW outlining further areas we need to clarify was received in the Department on February 14, 1972. With the receipt of this letter, we can now begin finalizing the contracts with the consulting firms. We are in the process of working out procedures with the three agencies and with the State Department of Labor. We still hope to implement the project April 1, but the HEW requirement may make this difficult.

A project coordinator has been appointed for New York City and thus we are fully staffed as far as local district assignments are concerned and staff is now getting into the agencies and developing the procedures for program implementation of the project.

We are also working with the Labor Department towards developing PSE slots and Work Motivation for Youth slots. They have not yet received Federal approval of their budget and until they do, they cannot begin to develop job slots. They may also hold up implementation.

All of our staff are deeply involved in the development of procedures for the implementation of the project. We think that the question of whether we can begin by April 1 depends upon how quickly HEW acts, and approval is received for Labor's budget and how quickly they can move to carry out their responsibility under the project. It is not clear whether they can be ready by April 1. It also depends on how quickly we can process the contracts for the consultant firms and how quickly they can complete the surveys. This, of course, needs Federal approval.

In summary, the reaching of our target date is dependent on a variety of factors. The most important of these is the extremely close relationship of three independent agencies. If Labor is not geared up by the target date, we cannot, in this Department, do this independently and will do the best we can. We are also dependent upon local agency initiative even though we are working closely with the three districts.

II. Public service work opportunities project

Letter from HEW received February 14, 1972. Implementation date for this project is also aimed for April 1, 1972. Participating agencies are developing plans for their use and we expect them here on February 28, 1972. Area staff have been loaned to us for the project and are in the field working with the agencies. One serious problem is that some local districts have indicated that they do not wish to participate (Niagara, Chemung, Cattaraugus, Livingston, St. Lawrence). We are meeting with the Association of Western Counties on February 17, 1972 and hope to resolve this difficulty. The considerations for this project concerning HEW and the consultant firms are the same as that for Incentives for Independence.

HERE IS IMPORTANT NEWS FOR YOU ABOUT

INCENTIVES for INDEPENDENCE

Please READ it carefully.

It tells families who take part in it

- **why it is being started;**
- **what it is;**
- **the way it will work;**
- **what they will have to do;**
- **the benefits the families get; and**
- **what happens when they do not take part.**

Why INCENTIVES for INDEPENDENCE?

Incentives for Independence was developed to give families on public assistance more help and a better chance to be on their own by

—helping those who can work to get a job that will make it possible for the family to be on its own;

—offering the training that will give them a skill needed to get and keep a job, and

—helping young people stay in school where they will have a better chance in the future.

What is INCENTIVES for INDEPENDENCE?

Incentives for Independence

—is a program to better help people help themselves;

—is a demonstration (test) project;

—was developed as part of Governor Rockefeller's welfare reform program;

—was authorized by the 1971 State Legislature; and

—has been approved by the U.S. Department of Health, Education, and Welfare.

It will be tested in three specially picked areas of the State — in the Bay Ridge Center, Brooklyn; in Rockland County; and in Franklin County. The test will last for one year.

The project gives needed assistance. But it does *more!*

Incentives for Independence

—*helps* people find jobs;

—*helps* students 15 and over find after-school work;

—*helps* families by letting them keep the after-school earnings without lowering the family assistance grant; and

—*helps* families by providing counseling to parents of children with school attendance problems.

How It Works

Families continue to get the same money help they need. This money help will still be provided by twice-a-month grants.

People who can work will report twice a month to a State Employment Service office to get a job.

All able-bodied persons over 16 who do not attend school or do not have children under 6 at home are considered able and available for work. No parent will be expected to *work* until *child care* is provided for *all* children in the family. This child care can be in a day care center or in an approved home of another adult. Parents are expected to help the social services department find day care for their children but under no circumstances will a parent be expected to work until adequate care is found.

Jobs will be in

—private industry, where available,

—local and county government, where available, with the salary paid by regular payroll checks; and

—public service positions to work off the grant until a regular job in private industry or government can be found.

If child care is available, parents with children under 6 *can volunteer* to take part.

All children 15 and over attending school who are eligible for work permits will be registered with the New York State Employment Service and will be placed in a community service or neighborhood youth project, where they will work an average of three hours a week, unless

1- They are otherwise employed;

2- They are needed at home to help care for other members of the family; or

3- They are taking part in remedial or supplementary educational programs.

These young people will be paid $1.60 an hour, plus money for lunches and transportation.

since the child will work an average of three hours per week.

The counseling services provided to parents may help keep their children in school.

What happens when recipients do not participate:

About $33 will be deducted from the semi-monthly assistance check the family receives twice a month when an employable family member fails to report to the Employment Service or fails to take a job which is offered.

$6.25 will be deducted from the semi-monthly assistance check the family receives twice a month when a child refuses to participate in a community service or neighborhood youth program. If a child is already working, is in a special after-school class, or has other good reasons for not participating, the reason should be explained to the agency worker to avoid a deduction from the check.

When a *parent refuses to accept counseling services,* the welfare check will be given to some designated interested person for use of the family or will be paid directly to a provider of goods or services (such as a landlord or fuel dealer).

If you are dissatisfied with any decisions about the amount of money you receive, the services provided, or the payment of your welfare check to another person on your behalf, you may ask the State Department of Social Services for a Fair Hearing. If a penalty is to be applied, you will be notified and given a chance to explain. If you wish, you are entitled to a Fair Hearing and your grant will be continued until a final decision has been reached. To ask for a hearing you should talk or write to the Project Director, Incentives for Independence, in your local center. The hearing will be arranged immediately.

You may call the local office of the social services department serving you for any questions regarding the project operations.

Counseling service will be offered to parents whose children have serious problems with school attendance.

Benefits

An ADC or Home Relief recipient who gets a job can keep part of his earnings every month without having the grant lowered. If welfare is still necessary, assistance will be provided in the amount needed. This is how it works:

The first $60 of monthly earnings is not considered in figuring out the assistance needed.

One-third of the monthly earnings are also not counted until the earnings reach $300 (one-and-a-half times the Federal assistance level of $200 for a family of four).

One-quarter of the balance of earnings above the Federal level are also not counted.

For a family of four with earnings of $400 a month, it would work out like this:

EXEMPT INCOME

First earnings of	$60.00
⅓ of $300 (one-and-a-half times Federal assistance level of $200)	$100.00
One-quarter of balance	$ 10.00
Total	$170.00

This $170 *would not be counted* against the family's needs.

The $230 ($400 less $170) *would be counted* against the family's needs.

The difference between the *$230* and the *assistance payment* would be the amount of the welfare check the family received.

People who are currently working will continue to have the same income exemption on the money they are now earning and will also continue to receive the same welfare check every two weeks.

The child 15 and over who works in a community service or neighborhood youth project will receive $1.60 per hour and the amount the family receives from welfare will not be reduced. This means about $20 extra per month

STATE OF NEW YORK

NELSON A. ROCKEFELLER, *Governor*

STATE DEPARTMENT OF SOCIAL SERVICES

GEORGE K. WYMAN, *Commissioner*

Publication No. 1135-1/3/72

A way to self-sufficiency:

Incentives for Independence

offers public assistance recipients the encouragement and the means to become self-sufficient by providing the opportunity to work and the skills and motivation which make work acceptable and possible.

It is a demonstration project developed as part of Governor Rockefeller's welfare reform program. It was authorized by the 1971 State Legislature and has been approved by the United States Department of Health, Education, and Welfare.

It is anticipated that the demonstration will

1. Increase self-support or self-care by

   --discouraging dependency on public assistance,

   --shortening the period of dependence on public assistance,

   --fostering good work habits and developing skills, and

   --increasing, securing, and/or maintaining employment.

2. Improve the attitude of the public toward public assistance and the people who are in need of it.

The demonstration project includes

--a program of public service employment for those able to work who are unable to find regular employment,

--a program of public service work opportunity projects for those able to work and for whom public service employment is not available,

--an experimental system of training incentives and earnings exemptions designed to foster good work habits and develop skills and the securing and holding employment in the regular economy, resulting in self-sufficiency and family stability,

--work motivation for youths in school through participation in community services projects, and

--provision of counseling services to those recipients whose school-age children show truant behavior.

Incentives for Independence will be tested in three social services districts in the state

Bay Ridge Welfare Center in Brooklyn, for an urban evaluation;

Rockland County, for a suburban assessment; and

Franklin County, for a rural experience.

This pamphlet provides a brief explanation of Incentives for Independence for interested persons and outlines the basic goals which will be tested.

These goals include

--employment for every employable person,

--after school work and training programs for children 15 and over, and

--counseling for parents of children who have problems with school attendance.

Program Operation

1. The project will test the impact on welfare dependency when work or training for employment is available to every employable recipient. All employable persons (all able bodied persons 16 and over who are not attending

school and who do not have children under 6 residing with them) will report twice a month to the New York State Employment Service for job placement or counseling.

> All able-bodied persons over 16 who do not attend school or do not have children under 6 at home are considered able and available for work. No parent will be expected to work until child care is provided for all children in the family. This child care can be in a day care center or in an approved home of another adult. Parents are expected to help the social services department find day care for their children but under no circumstances will a parent be expected to work until adequate care is found.

If a job cannot be located in private industry, then the recipient will be placed in a government job under the Emergency Employment Act and will receive a regular payroll check. If a government job is not available, the recipient will work for his grant at the prevailing wage or the minimum wage for a comparable job until a regular job in private industry or government can be found. If child care is available parents with children under 6 can volunteer to take a job. No parent will be expected to work until adequate child care is provided for all children in the family.

2. All children 15 and over attending school who are eligible for work permits, not otherwise employed in part-time or summer work, and not required for family care or participation in remedial or supplementary educational programs will be registered with the New York State Employment Service and will be placed in a community service or neighborhood youth project. They will participate an average of three hours per week and receive $1.60 per hour, plus money for lunches and transportation. This money will be considered as exempt and will not be taken into consideration in determining the grant for the family.

3. Counseling services will be offered to parents whose children have serious problems with school attendance.

4. The income exemption provided for in the proposed Federal Family Assistance Program will be used for all families receiving Aid to Families with Dependent Children and Home Relief. In addition, there will be a limit to the exemption; $60.00 per month plus 1/3 of the balance up to 150% of the FAP allowance ($200 per month) and 25% thereafter. For example, a family of four is not eligible for public assistance or Medicaid after its earned income reaches $511 per month.

For families already receiving an exemption there will be no reduction.

What Happens When Recipients Do Not Participate

1. Since a method of supplementing the proposed Federal Family Assistance Program is being tested, $33 (the rate of deduction provided for in FAP) will be deducted twice a month from the family assistance check

when an employable family member fails to report to the Employment Service or fails to take a job which is offered.

2. An amount of $6.25 will be deducted twice a month from the family assistance check when a child refuses to participate in a community service or neighborhood youth program.

3. The family assistance check will be given to some designated interested person for use of the family or will be paid directly to providers of goods or services (such as a fuel dealer or landlord) when a parent refuses to accept counseling services.

Recipients who are dissatisfied with any decisions about the amount of money received, the services provided or the payment of the welfare check to another person on their behalf may ask the State Department of Social Services for a Fair Hearing. If a penalty is to be applied they will be notified and given a chance to explain. If they wish they are entitled to a fair hearing and the grant will be continued until a final decision has been reached. The State Department of Social Services will conduct the Fair Hearing, providing recipients with a third-party consideration of their objection.

Complete details on Incentives for Independence may be obtained from the Project Supervisors who have offices in the welfare center and social services district offices in which the project is being conducted.

STATE OF NEW YORK
NELSON A. ROCKEFELLER, *Governor*

STATE DEPARTMENT OF SOCIAL SERVICES
GEORGE K. WYMAN, *Commissioner*

For extra copies, write Publications Clerk, State Department of Social Services 1450 Western Ave., Albany, N.Y. 12203. Pub. No. 1137 (1/10/72)

NEWS ABOUT PUBLIC SERVICE WORK OPPORTUNITIES PROJECT

(Please Read it Carefully)

It tells families who take part in it—
Why it is being started.
What it is.
The way it will work.
What they have to do.
The benefits they get.
What happens when they do not take part.

The program was developed to give families on public assistance more help and a better chance to be on their own by—
Helping those who can work get a job.
Offering training that will give them a skill to get and keep a job.
Providing needed day care facilities.

The program is a demonstration (test) project—
Developed as part of Governor Rockefeller's Welfare Reform Program.
Authorized by the 1971 State Legislature.
Approved by the U.S. Department of Health, Education and Welfare.
Being tested in twenty-seven (27) specially picked areas throughout the State.

It gives assistance—
By increasing self-support.
By helping to increase community participation.
By helping people develop work habits and skills.
By helping people secure and/or maintain employment.

How does it work—
Every member of an ADC family who is found to be available for work by a social services official in the demonstration districts and centers will be required to register for manpower services, training and employment.

An individual will be considered available for work unless, such person:
1. Is unable to work or be trained because of illness, incapacity or age.
2. Is a mother or other relative caring for a child under age 6.
3. Is a mother or a woman caring for a child, if the father or other adult male relative is in the home and is registered.
4. Is a child under the age of 16 (or a student up to age 22).
5. Is needed in the home on a continuous basis because of illness or incapacity of another family member.

No individual will be considered employable unless adequate child care is provided.

All employable people will register with the appropriate office of the New York State Employment Service.

Each person will have a semi-monthly interview with an employment counsellor to develop an employment plan and be directed to:
1. A private job opportunity.
2. A training program.
3. A public service opportunity.

Mothers or women who care for children have the choice of signing up and getting counselling or may provide day care for children of another mother.

What are the benefits—
Work experience.
Work training.
Developing new skills.
Increased family income.
Lead to permanent employment in private economy.
Matching individual to job on ability to perform.

What happens when recipients do not participate—
When recipients decline to participate in the program, that person is no longer eligible for public assistance and will be removed from the family grant.

If you are dissatisfied with the decision or have reason to feel it was wrong, you may ask the State Department of Social Services for a Fair Hearing. If a penalty is to be applied, you will be notified and given a chance to explain. If you wish, you are entitled to a Fair Hearing and you grant will be continued until a final decision has been reached.

Comparison of the Monthly Report of Employment Referrals July-December 1971

The attached table represents a summary of the monthly reports of employment referrals submitted by social services districts for the period July through December 1971. The data is shown for New York State as a whole, and for New York City and Upstate New York separately.

The mean average monthly number of individuals required to report to NYSES is approximately $52,500. Persons who failed to report the NYSES has decreased to 4,264 in December compared to the high of 8,928 in September. This was particularly evident in New York City where 4,771 persons failed to report to NYSES in August compared to 1,207 in December.

The total number of persons referred for job or training has declined from a high of 20,122 in August to 12,003 in December. However, the total persons placed has remained the same due mainly to increased placement activity in New York City where the number of placements increased from an October low of 356 to the December high of 1,229. The number of persons in New York City accepted for training reached a high of 683 in December compared to the low of 21 in October.

New York City's referrals and placements are still far behind those of Upstate New York as evidenced by the following table:

AVERAGE NUMBER OF PERSONS REFERRED AND PLACED BY NYSES, JULY TO DECEMBER 1971

	Total State		New York City		Upstate	
	Referrals	Placements	Referrals	Placements	Referrals	Placements
Total	15,834	3,404	3,102	836	12,732	2,568
Job	14,751	2,572	2,925	585	11,826	1,987
Training	1,082	832	177	251	906	581

Although New York City requires an average of over 25,000 persons (approximately one-half of state total) to report to NYSES monthly, approximately 12 per cent of these persons are referred for jobs or training and less than 4 per cent are accepted.

Upstate, out of an average of over 26,000 persons required to report monthly to NYSES, almost one-half were referred for jobs or training and approximately 1 out of 10 persons were placed.

The monthly average number of cases closed and employables removed from grant was approximately 4,200. New York City accounted for slightly over one-fourth of this total (1,101).

The average monthly number of persons for whom assistance was continued was 5,105. Approximately one-third of these persons (1,690) were from New York City.

For the months of November and December two reports were required for each agency—one report for Home Relief and one report for the Aid to Dependent Children program. The results of this reporting are indicated by the following tables:

TOTAL PERSONS REQUIRED TO REPORT TO NYSES, NOVEMBER AND DECEMBER

	Total	HR	Percent of HR State total	Percent of total referrals	ADC	Percent of ADC State total	Percent of total referrals
Total State	103,520	67,548	100.0	65.3	35,972	100.0	34.7
New York City	53,945	41,031	60.7	76.1	12,914	35.9	23.9
Upstate	49,575	26,517	39.3	53.5	23,058	64.1	46.5
November:							
Total State	50,532	31,926	100.0	63.2	18,606	100.0	36.8
New York City	26,529	20,105	63.0	75.8	6,424	34.5	24.2
Upstate	24,003	11,821	37.0	49.2	12,182	65.5	50.8
December:							
Total State	52,988	35,622	100.0	67.2	17,366	100.0	32.8
New York City	27,416	20,926	58.7	76.3	6,490	37.4	23.7
Upstate	25,572	14,696	41.3	57.5	10,876	62.6	42.5

New York City accounts for over 70 percent of the ADC and over 60 percent of the HR persons on assistance rolls. The number of HR persons required to report to NYSES by New York City is slightly over 60 percent of the state total. Even though 70 percent of the persons on ADC in the state are from New York City only 86 percent of the ADC persons required to report are New York City residents.

COMPARISON OF THE MONTHLY REPORT OF EMPLOYMENT REFERRALS, JULY TO DECEMBER 1971

Item	July	August (revised September 20, 1971)	September	October	November	December	Cumulative totals July to December	Monthly average
NEW YORK STATE								
Total persons required to report to NYSES	48,609	55,480	55,598	51,416	50,532	52,988	314,623	52,437
Total persons who failed to report to NYSES	8,108	9,326	8,928	5,750	6,749	4,264	43,035	7,173
Total persons referred for job or training	15,162	20,122	19,786	14,714	13,215	12,003	95,002	15,834
A. Job	14,035	18,806	18,585	13,463	12,372	11,247	88,508	14,751
B. Training	1,127	1,316	1,201	1,251	843	756	6,494	1,082
Total persons placed	2,361	4,574	4,110	2,940	3,148	3,290	20,423	3,404
A. Job	1,861	3,405	3,323	2,229	2,320	2,293	15,431	2,572
B. Accepted for training	500	1,169	787	711	828	997	4,992	832
Cases closed	3,829	3,405	3,275	2,675	3,308	2,414	18,906	3,151
Employable removed from grant	1,420	974	994	1,058	1,027	772	6,245	1,041
Assistance continued	6,634	4,757	4,577	4,416	6,377	3,869	30,630	5,105
NEW YORK CITY								
Total persons required to report to NYSES	20,461	29,389	27,062	24,777	26,529	27,416	155,634	25,939
Total persons who failed to report to NYSES	3,529	4,771	3,488	1,067	2,724	1,207	16,786	2,798
Total persons referred for job or training	3,431	5,220	4,588	1,951	1,936	1,485	18,611	3,102
A. Job	3,321	4,964	4,383	1,832	1,685	1,367	17,552	2,925
B. Training	110	256	205	119	251	118	1,059	177
Total persons placed	505	1,005	822	356	1,096	1,229	5,013	836
A. Job	450	827	658	335	693	546	3,509	585
B. Accepted for training	55	168	164	21	403	683	1,504	251
Cases closed	1,466	[1] 800	[1] 857	332	1,522	765	5,742	957
Employable removed from grant	332	[1] 62	[1] 37	9	200	226	866	144
Assistance continued	2,367	[1] 832	[1] 761	1,328	3,504	1,349	10,141	1,690
UPSTATE								
Total persons required to report to NYSES	28,148	26,091	28,536	26,639	24,003	25,572	158,989	26,498
Total persons who failed to report to NYSES	4,579	4,465	5,440	4,683	4,025	3,057	26,249	4,375
Total persons referred for job or training	11,731	14,902	15,198	12,763	11,279	10,518	76,391	12,732
A. Job	10,714	13,842	14,202	11,631	10,687	9,880	70,956	11,826
B. Training	1,017	1,060	996	1,132	592	638	5,435	906
Total persons placed	1,856	3,569	3,288	2,584	2,052	2,061	15,410	2,568
A. Job	1,411	2,578	2,665	1,894	1,627	1,747	11,922	1,987
B. Accepted for training	445	991	623	690	425	314	3,488	581
Cases closed	2,363	2,605	2,418	2,343	1,786	1,649	13,164	2,194
Employable removed from grant	1,088	912	957	1,049	827	546	5,379	895
Assistance continued	4,267	3,925	3,816	3,068	2,873	2,520	20,469	3,415

[1] Incomplete.

PUBLIC ASSISTANCE RECIPIENTS REPORTING TO THE DIVISION OF EMPLOYMENT UNDER SECTION 131.4 OF THE NEW YORK STATE SOCIAL SERVICES LAW—NEW YORK STATE, JULY 1, 1971 TO DEC. 31, 1971

Item	Individuals		Transactions		Ratio of transactions to individuals	Individuals (December)	
	Total	Percent	Total	Percent		Reporting	No longer reporting
Individuals reporting	143,398	100.0	403,210	100.0	2.8	47,378	96,020
Claimed unemployable	39,906	27.8	96,252	23.9	2.4	8,126	31,780
Number of reasons[1]	42,012	100.0	96,252	100.0	2.2		
Health	27,833	66.3	73,696	76.5	2.6		
Drug use	1,232	2.9	2,599	2.7	2.1		
Advanced age	305	.7	454	.5	1.5		
Child care	4,737	11.3	8,418	8.7	1.8		
Care of family member	716	1.7	1,302	1.4	1.8		
Employed to capacity	7,189	17.1	9,783	10.2	1.4		
In training	18,103	12.6	67,374	16.7	3.7	7,554	10,549
Available	85,389	59.5	239,584	59.4	2.8	31,698	53,691
Available	85,389	100.0	239,584	100.0	2.8	31,698	53,691
Refused service	12,429	14.5	18,324	7.7	1.5	3,746	8,683
Refused referral to employer	9,492	11.1	12,817	5.3	1.4	1,807	7,885
Referred	52,485	61.5	111,731	46.6	2.1	13,242	39,243
No job openings	10,983	12.9	96,712	40.4	8.8	13,103	[2] −2,120
Referred:	52,485	100.0	111,731	100.0	2.1	13,242	39,243
Failed to report to employer	13,068	24.9	16,695	14.9	1.3	2,040	11,028
Refused job	2,064	3.9	2,143	1.9	1.0	288	1,776
Failed to begin work	1,696	3.2	1,790	1.6	1.1	201	1,495
Placed	15,310	29.2				2,090	13,220
Not hired	18,479	35.2	46,618	41.7	2.5	6,755	11,724
Verification pending	1,868	3.6				1,868	

[1] Some public assistance recipients reported to the division on several occasions during the period and gave a different reason on each occasion.
[2] Adjustment for multiple services given and/or overlapping categories.

Governor Rockefeller's office today released the following letter from Social Services Commissioner George K. Wyman to the Governor relating to operation of the Governor's 1971 Welfare Reform program:

STATE OF NEW YORK,
DEPARTMENT OF SOCIAL SERVICES,
Albany, N.Y., August 11, 1971.

Hon. NELSON A. ROCKEFELLER,
Governor of New York,
Albany, N.Y.

DEAR GOVERNOR ROCKEFELLER: Last week you disclosed that recipients had failed to claim about 18% of the welfare checks which had been sent to the Division of Employment. Since then there has been considerable speculation as to the reason for this fact and as to what steps were being taken to insure conformity with the new law which requires that aid be terminated when a recipient fails to report to the Division of Employment or refuses to accept employment, job referrals or training.

As you know, the reporting and check pick-up program became operational on July 1st and the first statistical reporting cycle ended on August 10th. However, a preliminary analysis of local reports was completed this morning. While additional data is still being collected and studied, this preliminary review shows that your reform program has had a substantial impact on the employable welfare recipient.

Data for 18 upstate welfare districts and for New York City—districts with 88% of the ADC and Home Relief caseload—show:

36,740 recipients were referred to the Division of Employment.

8,614 recipients, 10% of those referred, have been terminated for failure to report or to accept work, job referrals or training.

A more complete picture is available for the 13 upstate districts. The data for these districts show:

18,740 recipients were referred to the Division of Employment.

8,527 recipients, 19% of those referred, failed to report or to accept work, job referrals or training.

Of those who failed to comply:

1,893, or 54% have had their assistance terminated.

1,005, or 28.4% were improperly classified and are temporarily unemployable largely due to continuing health problems or lack of day care.

308, or 8.6% were ill on the reporting day and are being required to report again to the Division of Employment.

321, or 9% are still being reviewed by local welfare districts.

Similar data will be available on a statewide basis within several days.

In order to fully explore the possibility of fraud on the part of recipients in those cases where aid has been terminated, I am reminding local social services commissioners that they are required to refer such cases to their local district attorneys for appropriate investigation unless the record shows clearly that the client was indeed eligible until the time of termination. We will watch the results of these investigations closely to determine whether any pattern of fraud exists.

There is no doubt in my mind but that this preliminary data indicates that our reform program was both necessary and that it will be effective. It appears clear that the program will demonstrate both to the public and the welfare client that welfare is not an alternative to work and that all recipients who are able will be expected to actively seek and accept employment or training designed to eliminate or reduce dependency. We will continue to review the results of this program closely to see how the program can be strengthened and how the initial administrative problems can be resolved and as more data becomes available we will be supplying you with additional reports.

Sincerely,

GEORGE K. WYMAN,
Commissioner.

Governor Rockefeller today released the second monthly report from Social Services Commissioner George K. Wyman on the operation of the Governor's 1971 Wifare Reform program:

STATE OF NEW YORK,
DEPARTMENT OF SOCIAL SERVICES,
Albany, N.Y., September 22, 1971.

Hon. NELSON A. ROCKEFELLER,
Governor of New York,
Albany, N.Y.

DEAR GOVERNOR ROCKEFELLER: This is my second monthly report on employment referrals under your welfare reform program which became effective as of July 1.

While this report identifies a number of administration problem areas which will require our serious attention, it also indicates that the basic trend established in July has continued during the month of August.

Data for August indicate that:

54,725 recipients were referred to the Division of Employment.

13,520 recipients, 24.8% of those referred, have failed to comply with the requirement that they report, accept work, job referrals, or training.

7,580 recipients, 56.5% of those who failed to comply with reporting requirements, have had their cases reviewed by local welfare districts and a final determination of their eligibility has been made.

Of those cases which have been disposed of, 4,217, 56%, have been dropped from the welfare rolls.

2,697, 35.8%, have been reclassified as nonemployable.

616, 8.2%, were found to have been temporarily ill and have been rereferred to the Division of Employment.

Of the 41,405 who did comply, 8,229 have been placed in jobs.

Of 54,725 of those referred, approximately 7.7% were dropped from the rolls during the month of August.

The number of persons placed in jobs is particularly encouraging since it represents a 60% increase over July.

The vast majority of cases, in which the local district has not made a final determination, are located in New York City. As soon as these data became available, Barry Van Lare and Bernard Shapiro, our Deputy Commissioner for New York City Affairs, met with Jule Sugarman, the New York City Commissioner of Social Services, to determine what steps could be taken to assure that this backlog was eliminated and not allowed to develop further in subsequent months. As the result of this meeting, the City Department has submitted its plan for speeding up the processing of these cases and has agreed to present a detailed report on the disposition of those which were pending as of September 1 by Friday, September 24. We are hopeful that these steps will serve to resolve the problem.

At the same time, we are deeply concerned that every possible step be taken to insure that the potential for fraud is controlled while the backlog problem is being eliminated. New York City shares that concern, and, in order to limit the opportunity for abuse, it removed from the regular September 16 distribution all those checks for cases in which a determination had not been made. This should insure that checks are not made available to persons who have failed to comply while allowing the flexibility to meet emergency needs.

We have directed local districts to make certain that they are fully exploring the possibility of fraud on the part of individual recipients whose aid has been terminated. We will also work closely with your new Welfare Inspector General, George Berlinger, in an effort to determine whether or not the continuing high percent of recipients who fail to comply with Section 131.4 can be traced to any administrative weaknesses on the part of local districts.

We are continuing our own more detailed analysis of these data to determine what changes should be taken to strengthen the overall administration of this program and our eligibility determination process. This task will be a high priority assignment of our newly reorganized Division of Operations.

Sincerely,

GEORGE K. WYMAN,
Commissioner.

MONTHLY REPORT OF EMPLOYMENT REFERRALS, DEPARTMENT OF SOCIAL SERVICES, AUGUST 1971—SUMMARY

	July	August
Total number referred to Division of Employment	48,609	54,725
Percent of those referred who failed to comply	24.5	24.3
Percent of cases which failed to comply which have resolved by local district	78.0	56.5
Percent of cases resolved in which recipients were—		
(a) Dropped from rolls	56.5	56.0
(b) Reclassified unemployable	34.0	35.8
(c) Temporarily ill	9.5	8.2
Percent of recipients who complied who were placed in jobs	6.1	7.8
Percent of total recipients referred who were dropped from rolls	10.8	7.7

Governor Rockefeller today released the third monthly report from Social Services Commissioner George K. Wyman on the operation of the Governor's 1971 Welfare Reform program:

STATE OF NEW YORK,
DEPARTMENT OF SOCIAL SERVICES,
Albany, N.Y., November 8, 1971.

HON. NELSON A. ROCKEFELLER,
Governor of New York,
Albany, N.Y.

DEAR GOVERNOR ROCKEFELLER: This is the third monthly report on employment and referrals and job placements under your welfare reform program. It is the first time a joint report on this program is being made by the Department of Labor and the Department of Social Services which share responsibility for implementation. It results from cooperative efforts by these departments to develop a reporting system that will provide quickly and accurately the data needed for evaluation of effectiveness and improvement of administration.

As we continue to receive data on the operation of the program it becomes more evident that it is well on its way to achieving two of your major objectives:

Helping families and individuals to regain self-sufficiency, and

Removing from the public assistance rolls those unwilling to seek or accept employment or job training.

The September experience detailed by this report indicates that progress toward these ends continues to be made.

In September:

3,823 public assistance recipients found employment. It brings to 8,913 the number who have taken jobs since the program went into effect on July 1.

4,260 were removed from the public assistance rolls for failure to comply with the work requirements, bringing the three-month total of those for whom assistance was terminated to 12,100.

A more detailed report on our findings for September indicate that:

55,598 recipients were referred to the Division of Employment.

14,015 recipients, 27% of those referred, have failed to comply with the requirement that they report, accept work, job referrals, or training.

9,793 individuals, 69% of those who failed to comply with reporting requirements, have had their cases reviewed by local welfare districts and a final determination of their eligibility has been made.

Of these cases which have been disposed of, 4,269, 44%, have been dropped from the welfare rolls.

3,159, 32%, have been reclassified as non-employable.

1,418, 14.5%, were found to have been temporarily ill or with a valid reason for not reporting and have been re-referred to the Division of Employment.

947, 9.5%, applications denied or withdrawn.

Of the 41,583 who did comply, 3,823 or 7.9% have been placed in jobs.

Of 55,598 of those referred, 4,269, approximately 7.7%, were dropped from the rolls during the month of September.

During September there was a 3.2% decrease in the number of persons temporarily ill and unable to report as required. This number amounted to 5% during September compared with 8.2% during August.

Local welfare districts continue to refer sizeable number of individuals to the Division of Employment who turn out to be nonemployable and we hope this volume can be reduced in the near future. Meanwhile, continuing efforts are being made to see that this group is promptly screened and reclassified.

During September there was an increase in the percentage of noncompliance cases reviewed by local welfare districts. The 69% reviewed during September is a 12.5% increase over the 56.5% reviewed during August. This increase has additional significance in that there were 695 more who failed to comply during September than there were in the previous month.

Sincerely,

GEORGE K. WYMAN,
State Commissioner of of Social Services.
LOUIS L. LEVINE,
State Industrial Commissioner.

Governor Rockefeller today released the fourth monthly report from Social Services Commissioner George K. Wyman and Industrial Commissioner Louis L. Levine on the operation of the Governor's 1971 Welfare Reform program

STATE OF NEW YORK,
DEPARTMENT OF LABOR,
Albany, N.Y., November 30, 1971.

Hon. NELSON A. ROCKEFELLER,
Governor of New York,
Albany, N.Y.

DEAR GOVERNOR ROCKEFELLER: This is the fourth monthly report on employment referrals and job placements under your welfare reform program. It is the second time a joint report on this program is being made by the Department of Social Services and the Department of Labor which share responsibility for implementation. Cooperative efforts by these departments to unify the reporting system have made substantial progress toward this end. The

report on the December activity is expected to reflect the result of this combined effort.

The October statistics show a decline in the number of referrals to the Division of Employment, reflecting the action taken in the first three months of the program which resulted in job placements and removal from the public assistance rolls and also New York City action on those who claim to be unemployable.

In October:

2,229 public assistance recipients found employment. It brings to 11,142 the number who have taken jobs since the program went into effect on July 1.

3,733 were removed from the public assistance rolls for failure to comply with the work requirements, bringing the four-month total of those for whom assistance was terminated to 15,833.

A more detailed report on our findings for October indicates that:

51,416 recipients were referred to the Division of Employment.

15,077 recipients, 29% of those referred, have failed to comply with the requirement that they report, accept work, job referrals, or training.

8,666 individuals, 58% of those who failed to comply with reporting requirements, have had their cases reviewed by local welfare districts and a final determination of their eligibility has been made.

Of these cases which have been disposed of, 3,733, 43% have been dropped from the welfare rolls.

2,971, 84% have been reclassified as non-employable.

1,445, 17% were found to have been temporarily ill or with a valid reason for not reporting and have been re-referred to the Division of Employment.

517, 6%, applications denied or withdrawn.

Of the 36,339 who did comply, 2,229 have been placed in jobs.

Of 51,416 of those referred, 3,733, approximately 7% were dropped from the rolls during the month of October.

Sincerely,

LOUIS L. LEVINE,
State Industrial Commissioner.
GEORGE K. WYMAN,
State Commissioner of Social Services.

Governor Rockefeller today released the fifth monthly report from Social Services Commissioner George K. Wyman and Industrial Commissioner Louis L. Levine on the operation of the Governor's 1971 Welfare Reform program:

STATE OF NEW YORK,
DEPARTMENT OF SOCIAL SERVICES,
Albany, N.Y., December 30, 1971.

Hon. NELSON A. ROCKEFELLER,
Governor of New York, Albany, N.Y.

DEAR GOVERNOR ROCKEFELLER: This is the fifth monthly report on employment referrals and job placements under your welfare reform program. It continues to show noticeable progress in the realization of the welfare reform objectives of helping recipients to self-sufficiency and restoring public confidence by removing from the rolls those who are unwilling to comply with work reporting and counseling requirements.

November showed a 4.1% increase over October in the number of recipients placed in jobs, and a 16.1% increase in the number who were dropped from the welfare rolls for failure to comply with the requirement that they report, accept work, job referrals, or training.

It is important in analyzing the figures to note that the number of persons required to report to the State Employment Service in November totaled 50,582, approximately three percent of the 1.7 million recipients currently on public assistance rolls. We are continuing to screen this caseload to determine the number of additional persons considered employable by legislative definition.

We are pleased to report that the main field phase of a special study of this program has been completed, a joint undertaking by our departments, the United States Department of Labor and the United States Department of

Health, Education, and Welfare, and analysis of the data collected is now underway. This study will yield information not otherwise available on the characteristics of employables required to report, particularly as related to job placement, failures to comply, and local social services agencies' disposition of such failures to comply.

In November:

2,820 public assistance recipients found employment, 4.1% more than October. It brings to 13,462 the number who have taken jobs since the program went into effect on July 1.

4,335 were removed from the public asssistance rolls for failure to comply with the work requirements, 16.1% more than October. This brings the five-month total of those for whom assistance was terminated to 20,168.

A more detailed report on our findings for November indicates that:

50,532 recipients were referred to the Division of Employment.

15,528 recipients, 30% of those referred, have failed to comply with the requirement that they report, accept work, job referrals, or training.

11,268 individuals, 72.6% of those who failed to comply with reporting requirements, have had their cases reviewed by local welfare districts and a final determination of their eligibility has been made.

Of these cases which have been disposed of, 4,335, 38.5% have been dropped from the welfare rolls.

4,911, 43.5% have been reclassified as non-employable.

1,466, 13% were found to have been temporarily ill or with a valid reason for not reporting and have been re-referred to the Division of Employment.

556, 5% applications denied or withdrawn.

Of the 35,004 who did comply, 2,820 have been placed in jobs.

Of 50,532 of those referred, 4,335, approximately 9% were dropped from the rolls during the month of November.

Sincerely,

GEORGE K. WYMAN,
State Commissioner of Social Services.
LOUIS L. LEVINE,
State Industrial Commissioner.

Governor Rockefeller today released the sixth monthly report from Social Services Commissioner George K. Wyman and Industrial Commissioner Louis L. Levine on the operation of the Governor's 1971 Welfare Reform program:

STATE OF NEW YORK,
DEPARTMENT OF SOCIAL SERVICES,
Albany, N.Y., February 1, 1972.

Hon. NELSON A. ROCKEFELLER,
Governor of New York,
Albany, N.Y.

DEAR GOVERNOR ROCKEFELLER: This is the sixth monthly report on the progress of welfare reform programs initiated on July 1, 1971, and the results give us reason to note that progress continues to be made toward making work a meaningful and hopeful word for recipients of public assistance in the State.

For 15,755, the first half-year's experience of your welfare reform program, completed in December, meant jobs.

For 7,554 more, the possibility and probability of jobs was enhanced because in these six months they were enrolled in training programs which would help them acquire skills essential to get and keep jobs.

Of the welfare recipients placed from July 1 through December 31, it must be noted again that not all were placed in permanent positions. Under even the most favorable economic conditions a high rate of turnover is common in entrance level jobs. There were, indeed, however, welfare recipients placed in long-term jobs during this period and as a result have been able to return to self-sufficiency and to remove their families from the welfare rolls. Those with short-term employment also benefited greatly from the work experience because it helped to restore personal and public confidence and, equally as important, convinced more employers of the willingness and availability of welfare recipients to fill jobs. Details on the percentages of those placed in jobs in September who retained them three months will be available in a special report later this month as will data on those who have left welfare as a result of these jobs.

Your welfare reform program requirement that recipients report every two weeks to State Employment Service offices for job and training counseling, referrals and placement while picking up their assistance checks established very effectively the fact that welfare cannot be considered an alternative to work. In December the number of persons dropped from the assistance rolls for failure to comply was 3,186. In the six month period, the total removed from the rolls was 23,354. A consequence of these actions is greater public confidence that only the truly needy are being helped.

It must be repeated that if the results of these reforms are to be accurately assessed the figures noted above must be considered in the proper context. The number required to report in December totaled 52,988—approximately 3 per cent of the 1.7 million recipients currently on the public assistance rolls. However, this figure does represent the number now being served as employable and considering the job placements and the number removed from the rolls against it is appropriate in determining the effectiveness of the program. We are continuing to screen the total caseload to determine the number of additional persons considered employable and able to be referred for employment or training.

A more detailed report on our findings for December indicates that:

52,988 recipients were referred to the Division of Employment.

9,467 recipients, 18% of those referred, have failed to comply with the requirement that they report, accept work, job referrals, or training.

7,689 individuals, 81% of those who failed to comply with reporting requirements, have had their cases reviewed by local welfare districts and a final determination of their eligibility has been made.

Of these cases which have been disposed of, 3,186, 41.5% have been dropped from the welfare rolls.

2,501, 32.5% have been reclassified as non-employable.

1,368, 17.8% were found to have been temporarily ill or with a valid reason for not reporting and have been re-referred to the Division of Employment.

634, 8.2% applications denied or withdrawn.

Of the 43,521 who did comply, 2,208 have been placed in jobs.

Of 52,988 of those referred, 3,186, approximately 6% were dropped from the rolls during the month of December.

Sincerely yours,

LOUIS L. LEVINE,
State Industrial Commissioner.
GEORGE K. WYMAN,
State Commissioner of Social Services.

The CHAIRMAN. The committee will meet again at 3 o'clock this afternoon.

(Whereupon, at 1:15 p.m., the hearing was adjourned, to reconvene at 3 p.m., this date.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

Next we will hear from Mr. Vernon E. Jordan, Jr., executive director, National Urban League. We will be pleased to hear from you, Mr. Jordan. I assume you will want to summarize your statement.

Mr. JORDAN. Thank you.

STATEMENT OF VERNON E. JORDAN, JR., EXECUTIVE DIRECTOR, NATIONAL URBAN LEAGUE

Mr. JORDAN. Mr. Chairman and members of the committee, my name is Vernon E. Jordan, Jr., and I am executive director of the National Urban League.

I welcome the opportunity to share with you the thinking of the National Urban League on the very vital and crucial issue of welfare reform. The detailed testimony I have filed with your committee

contains an extensive analysis of the bill you are considering, and in my remarks this afternoon I will summarize some of our key concerns about H.R. 1 and will discuss the kind of basic reforms we believe necessary to a system of income maintenance that preserves individual dignity while at the same time correcting the inequities of our economy.

There are few issues before the Congress and the public as controversial as welfare reform. But there is one thing all are agreed upon: That the present piecemeal welfare system is an abject failure, combining a crushing financial burden upon State and local governments with what the President has rightly called a failure "to meet the elementary social and financial needs of the poor."

Although the provisions of the Family Assistance Plan sent to the Congress by the administration in 1969 represented some steps forward, the present legislation is encumbered by regressive provisions that lead the National Urban League to declare itself in total opposition to this bill.

H.R. 1 is now more damaging to the interests of poor people than the present bankrupt welfare system it purports to replace. The present bill is a punitive measure because it punishes poor people for the failures of the economic system. It represents not a war on poverty, but a war on the poor. Though I represent an interracial organization concerned primarily with the need and aspirations of black people, we speak here not only of the needs of black people and other minorities, but also of the needs of the white poor who constitute the majority of poor Americans.

The failures of this bill are rooted in the philosophy behind it: That poverty is caused by the moral flaws of the poor themselves. From this central assumption flow the major elements of the bill: That benefit levels should be kept at punitively low amounts; that recipients are not capable of managing their own lives and of making rational choices and so must submit to bureaucratic direction of their actions; that poor people do not want to work, and so must be forced to accept employment regardless of the nature and wages of such employment or of the personal family relationship that would be affected by employment; and that recipients must waive rights and liberties enjoyed by others because they are deemed untrustworthy.

Although many of the amendments offered to H.R. 1 seek to raise benefit levels to more realistic amounts, it is clear that the bulk of them share the same presumptions found in the present legislation and therefore represent a continuation of the present piecemeal welfare system that avoids confronting the nature as well as the facts of poverty.

In view of the National Urban League and our 100 affiliates across this country, Federal responsibility for a minimum-income guarantee to all people, federally administered and financed, is essential to any satisfactory resolution of this Nation's increasing complex and controversial crisis in public welfare.

Briefly, the most glaring failures of the present bill are the following:

1. The basic payment of $2,400 for a family of four is grossly inadequate. It is less than two-thirds of the sum that defines poverty and represents a bit more than a third of the Government's minimum budget for such a family.

2. This pitifully small sum can be reduced by $800 if a member of the family does not cooperate with bureaucratic edicts, in effect punishing the entire family for actions—which may be totally rational and correct—of a single family member.

3. The work provisions embodied in the bill do not satisfy the minimum standards of providing adequate economic opportunities. Recipients are forced to register for jobs that do not exist.

The economy has yet to show signs of recovery and unemployment is over 6 percent nationally, over 10 percent for black people, and is far higher for the poverty neighborhoods in which recipients live. Although the Government has set a minimum wage of $1.60, recipients are expected to work for $1.20 per hour. Is the intent here to provide incentives for individuals to work, or is it to subsidize employers of substandard wages and to create a semipermanent caste of menial workers, locked into their poverty?

No discussion of the work provisions of this bill can escape the fact that very few of the individuals on welfare are able to work; that mothers with young children may be compelled to accept employment even when there is no adequate provision for child care, and that its enforcement will be by a vast bureaucracy that would be far better employed in more constructive pursuits than forcing mothers with small children to take jobs as ill-paid domestics.

4. There are numerous provisions that represent an intrusion by the state in the private lives of citizens, constituting a dangerous precedent of state control of private behavior that represents an erosion of personal liberties that could be extended to other groups as well. Much of the bill represents an invitation to arbitrary and capricious bureaucratic actions.

5. This bill contains many provisions that undermine family relationships and family stability. Some of the benefit regulations and work requirements amount to a "Family Destruction Plan."

6. The much heralded inclusion of the working poor is illusory because restrictions on their earnings and State options as to their eligibility effectively preclude many from actually benefiting from their apparent coverage.

7. The failure to force or encourage States to maintain their present benefit levels, which are in many cases higher than those provided by H.R. 1, means that this "reform" will cut already disastrously low payments in many States.

In sum then, and as detailed further in my written testimony, H.R. 1, Mr. Chairman, is a continuation of the traditional approach of blaming the victim and does not represent a feasible alternative to the present disastrous system. It fails because its assumptions are wrong and its intentions punitive.

It is clear that a rational system of income maintenance must be rooted in a realistic appraisal of the causes of poverty and in assumptions about people that are more in accord with our vision of what life in a democratic society should be like.

The National Urban League has just such a proposal, some details of which are in my written testimony. Our plan proceeds from the assumption, amply documented in various experimental programs, that the poor want to work, that the economy has failed to create the jobs

that would keep them employed, that such jobs as are available to them are marginal at best, that the deficiencies in our educational and economic systems that keep people poor must be corrected, and that Federal intervention, through administrative as well as legislative actions, can end poverty.

We believe that the replacement of H.R. 1 by an emergency fiscal relief program for States and localities through Federal assumption of all or part of present welfare costs would afford the Congress and the Nation time to consider a constructive alternative to the present totally inadequate welfare system.

We believe that this Nation can afford to be as generous in assisting the victims of social and economic dislocations and exploitation of its advanced, technological economy, as it has proven itself generous in providing welfare payments in the form of tax loopholes and subsidies to wealthy individuals and corporations who have benefited from our economic system.

Mr. Chairman, as I read this legislation, as I understand it, I am reminded that there is a piece of Scripture that I think is totally applicable to this legislation. That Scripture is that which says, "To those who have, to them shall be given, and to those who have not even that which they seem to have shall be taken away."

Briefly, however, ours is a comprehensive, layered plan, elements of which can be adopted on a staggered timetable. It involves extension of social security benefits; modification of the personal income tax; improvements in the system of unemployment insurance; extension of, and an increase in, the minimum wage; family allowances; and a minimum Federal standard of assistance as a residual.

Mr. Chairman, this committee has the awesome responsibility of passing on legislation that will literally spell life and death for millions of people whose very survival is at stake. In recent weeks you have been inundated with expert testimony and detailed cost analysis of a broad variety of proposals. I ask you today to look beyond the crowded print on the pages before you. I ask you to look beyond the restraint of political expediency and technical fiscal considerations. I ask you to turn your hearts and minds to the plight of millions of Americans, black Americans, white Americans, Spanish-speaking Americans and other minorities, whose fate is in your hands; people who have never heard of H.R. 1; men and women who don't know the meaning of the words "income maintenance"; people whose only concern is for a crust of bread and a morsel of meat, and that they be treated by other men and their Government with respect. These are the people whose lives have been made wretched by our failure to provide them with economic opportunities; these are people whose souls have been burdened by those who would coerce and punish them because of their poverty.

But they, too, dream of a brighter future. They, too, have high hopes for the children they strive to feed and clothe. They, too, still believe in the American dream; they salute the flag, they die in Vietnam; and they struggle to exist on the poverty-stricken underside of this affluent society.

I ask you to make the imaginative, moral leap that will enable you to fulfill their faith, to prove to them that their hopes have not

been in vain. I ask, as you face your solemn duties in this committee, to help us build a nation that will live up to the humane, equalitarian ideals that still bring hope to those whom bitter reason tells us should have no more hope.

Mr. Chairman, this ends my verbal testimony. It is my hope that this committee will give consideration to what we have said and proposed.

The CHAIRMAN. Thank you very much.

Senator Talmadge wanted to be here to hear your testimony. We are voting in the Senate and I guess that is one reason he was unable to be here at this time but he was very much interested in what you have to say.

Any further questions, gentlemen?

(The prepared statement of Vernon E. Jordan, Jr., follows. Hearing continues on page 2220.)

PREPARED STATEMENT OF VERNON E. JORDAN, JR., EXECUTIVE DIRECTOR, NATIONAL URBAN LEAGUE

Mr. Chairman and Members of the Committee, my name is Vernon E. Jordan, Jr. I am the Executive Director of the National Urban League.

The National Urban League is a professional, non-profit non-partisan community service organization founded in 1910 to secure equal opportunity for black Americans and other minorities. It is governed by an interracial Board of Trustees and is concerned with fostering good race relations and increased understanding among all people of these United States.

The League seeks solutions to problems of income, employment, education, housing, health and civil rights for the masses of black and brown Americans who want a better way of life. It recognizes that any meaningful and significant changes in these problem areas rest with changing the network of systems which produce black-white disparities.

It works through local affiliates in 100 cities located in 37 States and the District of Columbia, five regional offices and a Washington Bureau. These units are staffed by some 1,600 persons, trained in the social sciences and related disciplines, who conduct the day-to-day activities of the organization throughout the country.

Strengthened by the efforts of upward of 25 000 volunteers who bring expert knowledge and experience to the resolution of minority problems, the National Urban League is unique as the only national educational and community service agency which devotes its entire resources to the use of social work and research techniques for bettering the lives of the disadvantaged and for improving race relations.

The National Urban League, having carefully studied and weighed the provisions of H.R. 1 (the Social Security Amendments of 1971), finds itself in total opposition to the family welfare provisions therein on the grounds that, in the aggregate, they are more damaging to the best interests of the poor and the black than the present bankrupt welfare system they are designed to supplant.

The provisions of the original Family Assistance Plan, enunciated in 1969, were far preferable to those now contained in H.R. 1. We fully agreed with the President when he said, at that time, that the present welfare system "is failing to meet the elementary, social and financial needs of the poor."

Since the introduction of the original proposal, it has been succeeded by consistently more regressive versions, with the bill now before this committee most regressive to date.

While the National Urban League fully approves the concept of an income floor and full federal administration of such an income guarantee, it finds H.R. 1 and amendments offered to it unacceptable because they all reflect a guiding premise that poor people are forced to apply for public aid not because of the deficiencies and malfunctioning of our economic and educational systems, but because of their own personal character failings. Because the philosophy behind this bill is one of "blaming the victim," the purported aim of reforming the welfare system has become one of reforming individuals who are deemed morally inferior and therefore must be subject to legislated restraints upon their personal behavior.

The minimal income payments provided for in H.R. 1 become, then, conditions whereby the poor must submit to state interference in their employment options, child-rearing and family relationships, health care and other behavioral patterns. Such conditions of course, are not foisted upon other groups in the population, nor are they imposed to nearly the same degree upon the aged, the blind, and the permanently disabled, groups whose poverty is assumed to be beyond their control. Rather, they fall on families with children and upon the marginally disabled, groups popularly thought to be responsible for their own poverty. In effect, this bill uses the deprivation of children as the means of regulating their parents.

Much attention has been focused on the low level of benefits provided in H.R. 1, but there has been little public discussion of the fact that these inadequate payment levels—$2,400 for a family of four, well under the Federal Government's own definition of poverty—will in many cases be further reduced. It should be noted too, that any discussion of payment levels should take into account the results of OEO's New Jersey experimental program which shows that the higher the support payments made to the poor, the more likely it is that individuals will be encouraged to increase their income through additional employment or training. Thus we can say that the lower the payments, the *less* incentive there is to work and not, as is popularly assumed, the reverse.

H.R. 1's $2,400 level for a family of four becomes merely a "shadow" figure when we consider that the bill provides for an $800 reduction in the payments to a family if any single member of that family refuses to comply with state-imposed regulations that may themselves be arbitrary and capricious. That level could go still lower if more than one person in the family is involved. For example, a family member whom welfare authorities say is employable may refuse a work or training assignment for personally quite valid reasons. This would, under the bill, result in an $800 reduction in his family's payments. Such a situation could also arise from a family member's failure to cooperate in a rehabilitation program, regardless of its quality, or the failure to maintain a monitored, drug-free condition in the case of an addict. It should be obvious that some families simply will not be able to control the actions of their members.

We have ample evidence that many affluent families, including some of the most prominent in the nation, have been unable to prevent their children from becoming addicts and have otherwise run afoul of provisions of this law in ways that, applied to poor people far less well equipped to cope with the hazards of their environment, would result in loss of public assistance payments. The effect of such provisions, then, is to attempt to force the family unit to act as society's moral police agents, something I feel this Committee should object to as forcefully as possible.

If the basic guarantee is $1,600, assuming the existence of at least one family member who runs afoul of the web of bureacratic controls and regulations, we have a level that is lower than present assistance payments as supplemented by food subsidies in any state in the Union, is well under half the official poverty level and is light years away from the Bureau of Labor Statistics' lower budget of $6,960 for a family of four. Even when a family cooperates to the utmost, at whatever loss of personal privacy and dignity, the maximum payments, including successful child-support action, come to only $4,000 annually. This maximum level will not apply to many people, and it still will be far from the Bureau's lower budget.

The impact of low benefit levels is intensified by the absence of any incentives for state supplementation of federal payments, even where the new payment levels would fall below present state levels. There are no requirements for states to maintain present benefit levels, nor is there any provision for federal sharing of supplementary payments, if only to compensate for the regional variations in the cost of living. No bill presuming to "reform" the welfare system should allow a state to pay less than current levels, which everyone agrees are inadequate.

And no such bill should depart, as does H.R. 1, from the time-honored concept of public assistance as an answer to current need. This bill contains provisions that provide for retroactive enforcement of thrift, job stability, and family composition, primarily through the extraordinary requirement that income over the prior nine months period be considered in determining eligibility and the continuing level of benefits, in total disregard of a family's current financial circumstances. At a time when our conception of the "hard core unemployed" includes skilled aerospace engineers and other members of the middle

class who have fallen upon unexpected economic hard times, it is incongruous to find such provisions that would bar people from desperately needed assistance on the grounds that a welfare official thought they should have saved a few dollars more when they were working.

The work requirements of H.R. 1 are arbitary as to individuals and advantageous to potential employers, assuming that such exist in a period of general unemployment. About 70 per cent of potential benefitting families are considered to be "in the labor market" and, therefore, assigned to a special program called Opportunities for Families (OFF) administered by the Labor Department, either directly or through the state employment offices. In these instances, the Labor Department assumes virtually complete control over their lives, paying their benefits; assigning them to jobs or training; purchasing child care in their behalf; providing health, social services, counselling, transportation to new locations, etc., as needed; and penalizing them for failures of compliance.

Although the bill includes the working poor, its restrictions upon their earnings and state options as to their eligibility effectively exclude many from actually benefiting from their group's inclusion. The provisions for mandatory acceptance of employment and only partial disregard of earned income amount not to subsidies to the poor, but subsidies to the employers of the poor. In effect these requirements add up to a federally-mandated and subsidized labor pool and further raises the prospect of the creation of a caste labor system whose members will be confined to marginal employment with no escape route. At a time when there is general discussion of raising the present minimum wage of $1.60 per hour. H.R. 1 insists on recipient's acceptance of jobs at $1.20 an hour (exclusive of public service employment).

Definitions of presumptive employability are absolute and arbitrary leaving no discretion to the mother of children over three (six until 1974) as to her home obligations, the suitability of care, if any, available to her children or the kind of job she is able to reconcile with her children's needs.

While the bill contains many confusing provisions for financing child care, there is no statutory requirement that such care be available prior to the mother's job assignment, no freedom of choice for her in its selection and virtually no protection for its quality.

In view of the widespread concern about the family stability of welfare recipients it is remarkable that "reform" legislation would include these and other elements that can only place an intolerable strain upon families and lead to the destruction of many. The dangers inherent in state assumption of the conditions that should prevail in the relationships between a mother and her children should be apparent to the members of this Committee.

The provisions in this bill that represent an intrusion by the state in the private lives of its citizens constitute dangerous precedents of state control of private behavior, precedents that contribute to the erosion of personal liberties that could be extended to other groups receiving government payments or contracts, as well.

Among the numerous provisions that clearly serve to-deprive recipients of their civil rights and impose unreasonable conditions are:

(1) There are no safeguards against the invasion of privacy.

(2) A man may be held liable for the support of a child on the simple word of the mother. Contrary to our entire system of law, the burden of proof is placed upon the accused, whose position is further placed in jeopardy by the provisions that an applicant mother must cooperate in identifying the father of her children and is expected to file support action against him as a condition of receiving benefits. This is a virtual invitation to duplicity. Additionally, such a putative father faces a lien on any future federal entitlements, including old age insurance benefits, for any payments made to his alleged family.

(3) The burden of proof is placed upon the head of a poor family to establish initial and continued eligibility for benefits with harsh and unreasonable penalties for failure to comply with complicated requirements far in excess of those that other ctizens are required to meet in order to obtain other types of federal benefits. Every family must file a report of income and expenses in writing after each quarter or suffer automatic penalty. Failure to submit such a report will result in suspension of benefits. (Even the Internal Revenue Service does not require more than an annual report unless there has been a significant change in income. The filling of reports, as required by H.R. 1, not only imposes an unreasonable expenditure of time but detailed record-keeping which few middle income housewives are expected to do or which their husbands assign to accountants.)

(4) In order to receive assistance, a family member virtually loses his right of self-determination. The Secretary of HEW and, in some cases, the Secretary of Labor, is empowered to decide whether or not he is able to work; what type of job is suitable for him; what type of child care services are suitable for his children and for how long they are needed; what type of health, vocational, rehabilitative, counseling, social and other supportive services he may be in need of and what kind of manpower services he requires.

(5) Although provision is made for judicial review of the Secretary's decisions as to eligibility, amount of benefits; etc., and while further appeal is allowable on the merits of a case, "the determination of the Secretary after any . . . hearing as to any fact shall be final and conclusive and not subject to review by any court". By thus prohibiting a challenge to the Secretary's findings of fact, the whole principle of appeal is negated.

(6) Unequal treatment of the poor based on categorical distinctions has been one of the most glaring inequities in the present welfare system and it is perpetuated in H.R. 1. States and subdivisions thereof have the option of excluding from state supplementary payments families with an unemployed father and the working poor. Poor families, in general, are treated more harshly than either the elderly or the disabled poor, both in the methods by which they must prove their need and in the amount and way in which their benefits are provided.

(7) A parent deserting his family must repay all money received by the family in welfare benefits. Unless a level of support has been fixed by court order, his ability to pay is not taken into consideration. Any form of income he may receive from federal sources is subject to attachment. If he crosses a state line, he is considered guilty of a misdemeanor and may be fined $1000, imprisoned for a year, or both.

(8) Further provisions have been included which have already been ruled unconstitutional by the Supreme Court. For example, any state making supplementary payments "may at its option impose as a condition of eligibility . . . a residence requirement" although the Supreme Court has ruled that the waiting period requirement is unconstitutional.

(9) H.R. 1 also includes a provision that the income and resources of step-parents be included in determining the eligibility and amount of benefits a family receives regardless of whether such contributions toward the support of the children are actually being made, despite a Supreme Court ruling that only in states which make step-parents legally responsible for support of all stepchildren can they be held responsible for support of children otherwise eligible for AFDC.

It is clear that such state invasions of individual rights represents an effort to make legal benefits to which anyone should be entitled subject to presumed moral standards and values. Further, they represent an effort to apply those standards and values unequally, for they become special conditions to which only the poor are subject. It is this presumption of moral flaws as the basis of poverty and need which separates H.R. 1 from the realities of the welfare crisis and disqualifies it from consideration as an adequate alternative to the present system.

The examples cited above are typical and serve to characterize all the major provisions of H.R. 1 as it applies to family welfare. It is on the basis of this analysis of the bill's intent and anticipated function that the National Urban League states its unequivocal opposition to this legislation.

The National Urban League believes that the issue at hand is bigger than H.R. 1 and further believes that the Congress and the country must pause and take the time necessary for consideration of an adequate income maintenance system.

Of the 25 million people estimated to be living in poverty in this country, according to government figures, something more than 13 million are on welfare. It is reasonable to ask how the remaining 12 million survive, but there is no answer forthcoming. Of those on welfare, however, they are distributed as follows:

Children represent 55.5 per cent of the total. Mothers represent 18.6 per cent or 2.5 million. Of these mothers, 14 per cent are already working full or part time and another 7 per cent are in work training. If day care were available and if job training and jobs were available, perhaps another 35 per cent would be potential employees. (Another four per cent need extensive medical or rehabilitative services before becoming employable and 40 per cent either have very young children at home or have major physical or mental incapacities.) Seventy to 80 per cent of all mothers on welfare have consistently reported that they would prefer to work if barriers to employment were overcome.

The aged represent 15.6 per cent of those on the welfare rolls; the blind and disabled, 9.4 per cent. Able-bodied fathers represent a scant 0.9 per cent or 126,000 men nationwide. Federal figures have established that 80 per cent of these men want work but are unable to find it and that about 50 per cent are now enrolled in training programs.

If we assume that 20 per cent of able-bodied fathers do *not* want to work, can we justify harassing and demeaning 13 million people in need in order to force roughly 25,000 into an economy in which there is not enough work for those who *do* want it?

For the sake of those who think "black" every time they hear the word "welfare" it must also be stated and re-stated that the majority of those on welfare are white (60 per cent, or approximately 8.3 million). Approximately 40 per cent are black (about 5.5 million). It must also be re-stated that about one-third of all blacks are poor compared to about 10 per cent of whites. These are the facts which must be broadcast to those who appear to think that the welfare rolls consist almost entirely of blacks.

Throughout H.R. 1 there is the relentless insistence that the poor are deficient in character, that they are shiftless, lazy, worthless and irresponsible. In truth, the only thing that can be said with certainty is that they are lacking in money. Such attitudes and assumptions are regressive and will not contribute to rational and desirable solutions. It does not help to codify inequities or make harsh, unrealistic and brutal assumptions about the poor.

The National Urban League believes in the substitution of an adequate and enlightened income maintenance system for the present bankrupt welfare system, rather than in measures of the order of H.R. 1, because it believes that America must reorder its priorities to create an equitable and humane system which is functional for all its citizens.

In short, this country must apply the same standard to its welfare system for the poor that it applies to its welfare system for the rich. A poor person faced with survival is every bit as worthy of federal assistance as is a giant corporation. A mother and child are as worthy of federal concern as the Penn Central, an oil company that pays no taxes because of the oil depletion allowance, a manufacturing company that inflates its profits through the gift of accelerated tax depreciations, a farming corporation that gets agricultural subsidies to keep its plantation lands fallow or other federal handouts to the wealth and privileged in our society.

We need to remove the wraps from that "other" system of income support and expose it for what it really is—public assistance. If America can afford an adequate guaranteed income system for the rich, it can also afford it for the poor.

The sentiment which blames people for their poverty and denies them the means to escape it while giving money to others considered more deserving, largely because they are *not* poor, is a pathology from which the American social and political economy must escape. The most important goal of any government is the welfare of its people, all its people.

Pejorative attitudes and categorical distinctions must be eliminated and a uniform program of income maintenance established which is simple, dignified and easily administered in order to get the best results at the least cost.

At the same time that we urge the Congress and the country to pause and take the time necessary for consideration of an adequate income maintenance system, we recognize that in such an interval, present inequities in the welfare system must be dealt with in a constructive fashion. Welfare costs place unfair strains upon local and state governments. As a result, we would favor emergency federal fiscal relief in the form of immediate federal assumption of all, or part, of welfare costs in the states and major metropolitan areas.

The replacement of H.R. 1 by an emergency fiscal relief program would afford the nation and the Congress the breathing time to permit consideration of an adequate form of income maintenance, which would provide a constructive alternative to the present totally inadequate welfare system.

The National Urban League has formulated an income maintenance plan which we recommend to the Congress and the country for serious consideration. We believe it embodies the essentials of a highly workable and desirable system. It is based on the belief that the nation has passed the point when piecemeal reform of the welfare system can succeed; on the belief that we need repeal of the welfare system and the substitution of an adequate and unencumbered system of

income maintenance. We believe that the best approach to the welfare system is not to "reform" it, but to replace it with a new system which assures people in need an adequate income on an equitable basis.

Briefly, ours is a layered plan, elements of which can be adopted on a staggered timetable. It involves extension of Social Security benefits; modification of the personal income tax; improvements in the system of unemployment insurance; extension of, and an increase in, the minimum wage; family allowances; and a minimum federal standard of assistance as a residual.

We recommend changes in Social Security benefits within this plan to include minimum benefits at least equal to the poverty level with provisions for at least biennial adjustments to equal increases in the poverty level, in the price index and in the standard of living; coverage for everyone reaching 62 without any actuarial reduction in benefits; exemption of those earning below the minimum wage from paying Social Security taxes, coupled with an increase in the minimum wage; and a Social Security tax on all earnings for those earning above the minimum wage, such tax to be arrived at by stages and utilizing a graduated rather than a regressive flat tax rate.

Further recommended changes in the Social Security structure are removal of all restrictions on the earnings of an aged beneficiary; the provision of actuarial increments for those who postpone retirement and receipt of benefits beyond age 65; the inclusion of all forms of retirement income at higher levels in computing personal income tax liability, thus eliminating the inequities of the present system which favors those with higher benefits and discriminates against those with earnings; the inclusion of all children from the prenatal period under Medicare; and the elimination of all deductibles and co-insurance features under all Medicare programs.

We recommend improvement in the system of unemployment insurance by providing coverage of all employees; a minimum of 26 weeks of federally financed insurance with provision for extended benefits in times of high unemployment; benefits equal to at least half of weekly wages or a minimum benefit equivalent to the poverty line, whichever is higher; and permission for attendance at school and rehabilitative services, in addition to job training, while collecting unemployment insurance; most of this expansion to be financed from general revenues.

We urge extension of the minimum wage to provide comprehensive coverage, coupled with an increase in the minimum wage, itself. We further recommend federal aid in the form of readjustment assistance to businesses and workers who can prove adverse effects as a result of the minimum wage.

We recommend modification of the personal income tax structure to improve equity, reduce burden and raise revenues for income maintenance by taxing all kinds of income alike for all people, defining taxable income to include present tax-exempt interest, capital gains and by instituting a minimum tax to be paid by all at high incomes to preclude escape through present loopholes; and adjusting personal exemptions at five-year intervals to exclude families at or below a more realistic definition of the poverty level from income tax liability, to insure that the poor continue to be relieved of the obligation to pay income taxes. We would also suggest substituting a flat exemption of $2,300 for each person 65 years old or over and $4,000 for an elderly couple for the complex retirement income credit now in effect, thus redistributing tax benefits from the wealthy to the low-income elderly. (These exclusions would be gradually reduced to nothing as elderly persons or couples reach an adequate level of income as defined by standard budgets.)

We urge provision for families with children through family, or children's allowances of a specified sum per month, per child, using the Social Security system for registration purposes and recoupment from the well-to-do by a system of "vanishing allowances" through inclusion of children's allowances in family income for tax purposes.

Finally, as a residual to cover those who fall between the provision outlined above, we recommend a minimum federal standard of assistance, which should not be below, and preferably should be above, the poverty line at any given point in time, applying to all types of households, irrespective of size, location and composition; such minimum standard of assistance to require only a simple declaration of need, subject to sample review, as with income tax forms, and with a realistic earnings exemption.

Portions of the plan we have outlined require legislative change; other portions, administrative change. In sum, it is aimed at complete coverage of those

in need, without respect to categorical distinctions. (The working poor, for instance, are those who work full time and still remain poor, still remain in need. It must be formally recognized that having a full time job in this country doesn't guarantee a living wage and that it is essential that the working poor be treated on a par with all other recipients, receiving the same benefits on the same terms.) Finally this plan is designed to meet current needs and to reduce the incidence of poverty in the future.

The plight of the poor is pressing but their cause is not advanced by regressive legislation. In consequence, the National Urban League would perfer to deal with the present welfare system, recognizing that emergency fiscal relief to the states and major metropolitan areas must be provided until such time as a sound and equitable system of income maintenance for those in need is agreed upon and enacted into law. Such a system of income maintenance is the only means to appropriate compensation for the economic and social dislocations of an advanced economy.

The CHAIRMAN. The Senate is voting, and so I would suggest that those of us here should go and vote and, as soon as we can return, we will call the next witness, who will be Mr. Clarence Mitchell, an old battler for many causes involving the minorities and the poor. We will be pleased to hear from you, Mr. Mitchell, as soon as we get back.

Mr. MITCHELL. Thank you, Mr. Chairman.

SHORT RECESS

The CHAIRMAN. The others, I assume, will be along shortly, Mr. Mitchell, but we will proceed. If you will be so kind as to proceed with your testimony, we will call on the others when they get here.

STATEMENT OF CLARENCE MITCHELL, DIRECTOR OF THE WASHINGTON BUREAU OF THE NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

Mr. MITCHELL. Thank you very much, Mr. Chairman. I always appreciate the opportunity to appear before you and have frank exchange of views. You have always been very helpful in that respect, and I am sure today will be no exception.

I would like to file my statement for the record and make a brief comment.

The CHAIRMAN. Fine. We will print your statement exactly as you prepared it and then we will have any additions you want to add to it.

Mr. MITCHELL. I think, Mr. Chairman, that the important thing that we have got to face on this welfare problem in the United States is we are not going to get the kind of public support for any kind of bill that we need until we can somehow or other change the image that people have of welfare recipients.

I think that Senator Ribicoff made an important contribution today when he engaged in an analysis which showed that the concept of welfare recipients as chiselers is greatly overrated, when he showed that the concept of them being lazy and wasteful is also not typical of welfare recipients.

I think also that the concept of fathers dodging their responsibilities is a problem but I do not think it has the importance in this total program that many people assume it has.

I would say on the basis of my personal experience—because I live in a slum area over in the city of Baltimore, and I would say on the

basis of my personal experience—that most people who are poor would like to work; most people who are poor would like to raise their children under good circumstances, and most parents would like to take both paternal and maternal responsibility for their children.

Until we recognize that that is a fact, and say it again and again, there will be many people who would want to have a rational program, who will be afraid to come out and vote for it because they think it will get them into trouble with their constituents.

We would like to see a unified system under Federal control in this country because if it is a fact that there are people who move back and forth across States lines in search of opportunities to work, as we know it is, it is inevitable at some point those people are going to need assistance.

So if we have got a unified system, it would seem to me, it would be much easier for us to handle that problem.

At the same time, I do not see any great barrier to arranging the system so that it can take into consideration regional differences. We do that in the construction industry under the Bacon-Davis Act, and it would seem to me it would be just as easy to establish regional standards which would enable us to take into consideration economic structures of, say, your State of Louisiana as opposed to the economic structure in the State of New York.

I think the same thing could apply to wage standards. In my judgment, if we are going to undermine the economy in this country, a good way to do it would be to try to get a whole lot of people doing jobs at substandard wages. So I think that we would be defeating our own purposes if we opened the door for the employment of welfare recipients by people who will be unscrupulous enough to try to pay them a wage below what is a decent standard of living.

Another thing I would like to stress is the role of mothers when dealing with young children. I must say, Mr. Chairman, both respectfully and being mindful of our long knowledge of what each other would be doing in this country, that I disagree with your formulation about mothers being so fat they cannot get through the door, their requirement that they ought to sweep off the pavement in front of the house, and when you open an icebox there may be beer in there.

Well, I, as I said, live in a poor neighborhood and I could take you through my routine in the morning, I get up at 6 o'clock in the morning——

The CHAIRMAN. You understand, now, Mr. Mitchell, I am not saying that is typical, but that goes on, what happens; and there are altogether too many cases of that type of thing where people take the money that was intended to feed the child and spent that on beer rather than on milk, and it happens, and I am sure that you know it happens.

Mr. MITCHELL. Oh, it may happen, but I would say this is one of the points I am trying to investigate; that if we take that, which perhaps would represent one-tenth of 1 percent, if it exists at all, this is the image of the welfare recipient that antagonizes the public, and it seems to me if we could somehow or other softpedal that and discuss it in maybe executive sessions of the committee, after finding out just how much of it is factual, we would do a lot to reduce the opposition to

welfare reform, and the opposition to people who are entitled to receive it because they are really in need.

Now, I felt, too, when the discussion was had about the welfare recipients going to the employment office to pick up their checks, it all depends on how you look at it. I can imagine some of my neighbors being physically unable to get to the employment office to pick up their checks. I can also know, because I have seen this happen, if there is no other transportation available and they get a taxicab down there then they are attacked for going down to the welfare office to pick up the checks in a taxicab. I feel, unless we face up to these realities, unless we start a new approach in which we talk about the great majority of people who are just unfortunate enough to be in need of assistance we will never get the country with us to do what I am sure you are trying to do, which is to get a sensible system of welfare reform.

With respect to day care centers I mentioned, the last time I was here, an experience I had on that. The bill, as originally conceived by the White House, provided that you could give Federal money for the purpose of establishing day care centers, and I said that was a very important thing because I had participated as a trustee in a group which was trying to help the poor under one of these programs.

One of the ministers, who had a program of day care at his church, was asked by the Health Department to put in lavatory facilities for little children, to put in electric wiring, and also to put in kitchen facilities, all of which he did. But then the local government wanted to prosecute him for spending money for these things which they said were not authorized by law, and I think that if we are going to say, as a condition of employing mothers, you have got to have adequate day care facilities, it must in fact be adequate and we ought not penalize people who try to provide that kind of facility. But I cannot emphasize too strongly my belief that it is unwise and will generate many other collateral problems if we make it mandatory that mothers of young children work.

I have enough faith in the women who bear children in this country to believe that if we give them bona fide opportunities to work at decent wages, opportunities also to have their children cared for, that they will work without any compulsion.

The CHAIRMAN. Some things about this bill that I think deserve recognition are not being discussed sufficiently.

For one thing, there are some of us who favor having at least this $130 minimum that the House bill provides for the aged.

Mr. MITCHELL. Yes.

The CHAIRMAN. And some of us would like to go every bit as strong, and maybe stronger, than the $200 for the two, for a man and his wife if they are both over 65 and have no other income.

Now, that one thing alone could have the effect of taking all the aged people out of poverty by the present definition, should it not?

Mr. MITCHELL. It should, I would think.

The CHAIRMAN. Now, that is a nice stride forward in itself, is it not, Mr. Mitchell?

Mr. MITCHELL. Mr. Chairman, I do not think there is anyone who quarrels with the things that are accomplished for the aged and the blind, there may be differences here and there.

The great criticism of H.R. 1 centers on the treatment of welfare recipients who are mothers of children, and that is really where the vulnerable point exists in this legislation.

The CHAIRMAN. Well, that is a sticky point from the point of view of some of us. Seventy percent of those families have a working father somewhere, a father who is able-bodied, capable of working and certainly available for work, and, presumably, out of that 70 percent I would think it fair to assume that at least 40 of the 70 percent actually have a job, actually are employed, making income adequate to make a substantial contribution to the support of their children.

Now, is it fair to the workers who are paying taxes to support those who are on welfare that those fathers who are employed with income adequate to make a major contribution for the support of their family should be able to shift that burden of supporting their children off onto the backs of other workers who are already supporting their own families.

Mr. MITCHELL. I followed that discussion with great interest this morning because I happen to be one of those who is strongly in favor of all States adopting the Uniform Nonsupport Act so that you can get at the fathers who tried to dodge their responsibility. But as I listened to the discussion there were two things that I thought were important. First, if we got all the fathers who are dodging their responsibilities would we be able to get enough money from them to make an appreciable dent in our welfare problem, and I am afraid the answer to that is no.

The second thing is, in the illustration which I believe you gave, in which you said that someone had mentioned in his testimony fathers who lived physically with the mother, who acknowledge in response to a question that they are the fathers, and the mother acknowledges in response to a question that she is the mother, yet nothing can be done about it. Well, this is not correct. I do not know what's happened to the prosecution in those States, but actually, even under the common law a person who acknowledges responsibility for paternity has an obligation to support children. So it seems to me there are two solutions in that situation: First, we must establish as a legal fact that the man who says he is the father is indeed, as a matter of law, the father, and then move under our existing legal machinery to force him to pay.

Now, that is something you do not have to have an act of Congress to do and I cannot understand why, whoever has got that problem has not made use of existing legal machinery, and I must say I would be a hundred percent in favor of doing that, and in any way, if Congress can strengthen it, sir, I would like to see it done.

But I hasten to add that I do not think even if you got every single one of them that it would make a measurable dent in the need of welfare in this country.

The CHAIRMAN. I differ with you in that, Mr. Mitchell. I am convinced from everything I can learn that particularly when he leaves the State and crosses a State boundary if you try to use the authority of the reciprocal State action program the district attorneys in the State to which the father has gone seem to take the view that they do not want to be bothered with it. Presumably the man by now has a

new set of associates, and he might be in the process of having new family relationships, and so if you take money from him in the State to which he has fled, it might deny his dependents in that state of support, and there seems to be an attitude on the part of the district attorneys who would have the responsibility just not to bother with it.

Mr. MITCHELL. I have not checked this particular part of the bill, because it has gone through so many revisions but to my best recollection, when the bill was first proposed by the administration, there was a price in it which would simplify the process of getting at these fathers who cross State lines under a Federal operation.

I think that is still in there but if it is not, it seems to me that could easily be put back in.

But again, as I said, even if you put it back in I think we ought to know just what we are going to get if we do it. It is entirely possible we may spend more, as Senator Ribicoff pointed out this morning, about that New York operation, they spend more in trying to get those who are violating the law than it is actually worth in returns.

The CHAIRMAN. Well, thank you, and we will do the best we can to try to help take care of the same people for whom you have spoken here today.

We may have something of a difference of approach but, as I said before, if the adminisrtation wants to spend $4 billion to help poor people, it is perfectly all right with me provided—and I am willing to vote for it provided—they are doing it in a way that I think would be most beneficial to those people, I mean so far as encouraging doing what is in their own best interests as well as using the money where it would get the most effective results.

Mr. MITCHELL. I certainly believe that that is your objective, Mr. Chairman, and I think you know from our mutual friend, Paul Douglas, that if we were called up here to testify as to whether that is what you have in mind, I am sure he would say "Yes."

But I do earnestly ask that you try to avoid the colorful descriptions of the welfare recipients which themselves arouse prejudices in this country, and make it difficult for us to pass these programs, because, for example, in that illustration this morning about the mother, about the sweeping of the pavement, what I did, I turned to Mr. Jordan of the Urban League and I said, "You know, I would like to take Senator Long over to my house." As I said, I live in a slum area, on a high traffic concentration street. I get up at 6 o'clock in the morning and brush off the pavement, hose it down, and by 10 oclock there is a bundle of trash there again. We even now have, after the trash men, regular trash men come through and collect the trash, even now have something under one of these antipoverty programs where people come through and take up whatever the trashmen drop and they usually drop something, but even that does not keep it clean.

Now, you cannot blame the people who live in those neighborhoods for those conditions because if you do, you would have to blame me, too, and I like cleanliness, but it is a kind of a losing battle, I will tell you, against modern conditions under which people live, and unfortunately, the people who are against what you are trying to do, and what I am trying to do, and what some of the members of this committee are trying to do, namely, help those who are in need, grab that illustration and say, "Well, you see, they are no good, they are lazy and they won't even sweep the pavement."

The CHAIRMAN. Well, now, you oppose the idea of requiring any work from a mother who has small children. Now, would you extend that argument and that philosophy to the extent of not even requiring as a condition of welfare payments from the Government that she at least keep clean the area immediately in front of or immediately behind her own home.

Mr. MITCHELL. Well, I would certainly think it would be unfair to put that as a requirement because, as I said, even those who are disposed to do it, and who have money, as I had, to buy a broom and to buy a hose, get somebody to clean the front, still cannot keep it clean. So it seems to me it would be grossly unfair to require a mother to do an impossible job.

Now, my solution would be that we do, as we are trying to do in my church, I am chairman of the board of trustees in my church, and we have a program under which we are trying to train mothers in household responsibilities and all the things that will make a home attractive; things that will help them to save money when they make purchases in stores, and I think that is really the solution.

I think if we can train people to do the best they can in the face of existing circumstances, they will do it, and I think we would get more done, really, that is constructive than if we said as a matter of law, "If you don't sweep off the pavement and keep your place clean, you cannot get assistance."

The CHAIRMAN. Well, of course, that is just the difference between our approaches. My thought is that it is a basic difference between paying a person to do something and paying them to do nothing.

Mr. MITCHELL. I think you should pay it.

The CHAIRMAN. Little though that may be, it is more than zero.

Mr. MITCHELL. I think the most precious possession any country has is the future generation of children and it seems to me the first consideration should be how can we administer this in a way that is going to give the children opportunities that maybe their parents did not have and, after we have done that, it seems to me it is quite likely that one of the ways of helping to get those children opportunities would be to provide a training program for mothers which would enable them to work, and a program under which you would have day care centers and that kind of thing.

But it seems to me the very first and primary consideration is the children, and I don't think you can reconcile that with compulsory employment because what happens now is if a mother is required to work, she is going to have to leave those children unattended at home or send them to a substandard nursing place, so that we are going to wind up with a whole pile of juvenile delinquents and people going to jail simply because mothers did not give the care that a mother can give, and I feel that, as I say, if we start with the welfare of the children because they are wards of the State, and if we can work out something that does not do harm to them, then I think we are on the right track.

The CHAIRMAN. Well, thank you very much.

Senator RIBICOFF. Just one question, Mr. Mitchell. I, too, appreciate your testimony, and I have the highest respect for your knowledge and dedication to many cases full of heartbreak.

As I gather from your colloquy with our chairman you, too, are anxious to close any loophole that would lead to fraud or cheating.

You do not approve of fraud or cheating and you want the committee to do whatever it can do to close it up and make the father responsible for the children. But what you are saying is that represents a small percentage of the overall amount of people on welfare and while we try to close up the loopholes you want us to take into account that basically we should design a program for the overwhelming number of people who are trying to do their best and cannot make it, is that what you are driving at?

Mr. MITCHELL. It is exactly, and I say that I was inspired to depart from my testimony to make that point because of the very eloquent and moving way in which you developed that point at the morning hearing. I was saying to the chairman that we can never get support for welfare reform on the scale that we need it if we continue to depict the welfare recipients as lazy, irresponsible, cheaters, and errant fathers.

We have got to isolate the facts, as you so ably did, we have got to say "All right, we are going to spend $300,000 or $400,000 to catch up with the chislers," as they are doing in New York. "How many did you catch?" And I did think that the answer wasn't entirely responsive to your question because the answer was 21 or 26. I made an observation to somebody during the recess that with one-eighth of that money we could catch a whole lot more dope users and numbers writers and other kinds of lawbreakers so that really it seemed to me the program was set up as so many of these investigative programs are set up, to appease the public clamor about chislers.

Well, I do not quarrel with that, but it seems to me once we find out what the facts are, then we ought to say, "Here, as New York has got a million people on relief and 21 of them they find were supposed to be chislers," it seems to me then that lets the public know we are not dealing with chislers and fakers and others who are trying just to get a free handout.

Senator RIBICOFF. You know, you say that you live in a slum area. One of the things that has always impressed me whenever you go through a slum area, whether blacks or Puerto Ricans or whites, you come across a school right in the heart of the ghetto, and I wish that every Member of Congress would do that sometime, just go and pass when school is in session or playground how clean the children are, bright, and the dresses are starched, they look neat, the girls, the boys have got their hair combed. When I often go through the slum areas and I see how those children are dressed and look in the middle class suburbs it comes as quite a shock to many Members, which indicates that somewhere in that slum area with most people on welfare must be a mother who loves those kids and trying to do the best with them. I wonder if you find that in Baltimore where you live.

Mr. MITCHELL. I do, indeed, and I will say to you when I was a boy I had two suits. My mother washed those alternately so that I could go to school with a clean suit on. We did not have central heat in our house, and very often I would get warm in school, and I can remember sometimes when they would give out the Graham crackers and the milk, how embarrassing it was to me because I didn't have a nickel with which to purchase that, and they always looked so much better than they taste now that I can afford to buy them. But that was

not unusual. That is typical. It has been what I have observed all of my life.

I wish I could have had the members of this committee with me the day we had that big snowfall. The newspaper boy came to collect for his money. His mother was with him, and she didn't have a hat on, she didn't have galoshes on. She didn't even have a coat and I wanted to do something. I offered some attire and she was too proud to accept it. They weren't looking for any handout. They were out there collecting money under their newspaper route, mother and son.

I say to you, and I am sure you know this, Senator Ribicoff, that these are the people who are typical of the poor in this country, and when we get our fellow Americans to see that these are the people we are trying to help, I think we can move a lot of these programs much faster.

Senator RIBICOFF. You see, I think one of the things that bothers Senator Long and that bothers me is when Mayor Lindsay was here and we had a discussion a few years ago about the people on welfare doing something, and what Senator Long is talking about cleaning up their own backyard, I was deeply disturbed when I went to Bedford-Stuyvesant, I would say it is probably one of the most tragic sights in the world. I do imagine, I never have been in India, but it probably compares with the slums of India, but you would go right in the neighborhood, forgetting the filth in the streets, but you would see a playground that their children and they used, full of debris and glass and, of course, it is unfortunate because it is the neighbors and people throwing it out but I think what Senator Long is driving at if at least some of the people who lived there on welfare part of the day would get a trash can and a broom and clean up their playground so their own children could play in them and, as I was listening to him, he is not asking that they do onerous work, he says they have a mother and the kids are in school, certainly is it too much to ask for 2 or 3 hours a day while the children are in school she goes into the playground and sweeps up the broken glass and the cans so her children can play in that playground? I think that is what you are driving at, Mr. Chairman.

Mr. MITCHELL. My answer to that is, of course, but I think you will find if you ask for volunteers, and I know this it true because I have seen it work, you ask for volunteers you get a whole lot further with those people rather than if you say as a condition of getting your money you must do this work.

Now, I think if we train people to try to cope with these problems, I would like to hazard a guess, if you suspended the street-cleaning operation and the watering of the streets up here in the Capital for a couple of days it would look worse than Bedford-Stuyvesant or most of those other-areas where you have slums because of the heavy traffic people throwing debris around. The reason it looks good is because we spend a whole lot of money keeping it clean.

I don't say we can afford to spend money keeping that kind of playground clean, but I certainly do not think you can keep it clean by making it mandatory that mothers go out there as a condition of receiving relief.

Senator RIBICOFF. That is all.

Senator CURTIS. I am sorry I did not get in on all of your testimony, but I have no questions.

Mr. MITCHELL. Thank you, Senator Curtis.

The CHAIRMAN. Thank you. Senator Fannin?

Senator FANNIN. Thank you, Mr. Chairman. I am sorry, too, I have not heard all of your statement. But I looked at your statement, and the end of your statement says many of the important programs designed to help the poor are not reaching those in need. I think this is true and a very necessary part of the work that we are doing is to correct that, but if we could take care of those in need, if we could, I think, much better and with the funds that could be made available, if those who are able bodied and could take care of themselves would put forth a better effort and we would have more control over what is happening so far as the family is just growing and growing beyond the ability of the parents to support the children.

Now, I think we have to be very frank about some of these matters and I think it is one of the most serious that I have witnessed since I have been on this committee and in these hearings and that is here we cannot be fair and there is no way that I can see that the family can be fair where they have 11 children, and they have been in need for many, many years, but they still continue to have additional children.

What do you think, what would you recommend to help overcome that problem so that we can take better care of those who are not able to take care of themselves?

Mr. MITCHELL. I think that there are many people who are interested in programs of voluntary birth control, and I think that really is the answer. But, as I said earlier, I happen to be a member of the Methodist Church and I do take my religion seriously, I do not believe any human has the right to say as a matter of law to a fellow human, that "You may not reproduce." And for that reason I would not favor any mandatory participation in a birth control program as a condition of receiving assistance. But I do think realistically we can do things to educate people to make use of what knowledge we have on birth control.

Senator FANNIN. Well, in some way we must bring about self-discipline. I do not have an answer for it. I wish that we could find an answer. I know it isn't simple, but I do think that there is a point at which we cannot go beyond, and welfare is costing us more and more and more, there are more people going on welfare, and if we followed the philosophy that you have, that "The NAACP stresses the need for strengthening regulations that would prohibit the forcing of welfare recipients to accept employment that does not pay fair wages or to work under conditions that would be hazardous to health and safety." No one wants people to work under conditions that would be hazardous to health and safety, but I certainly cannot agree that we do not need, you say forcing, but requiring, and forcing is just like, the same, as a person cannot graduate from school unless they have certain requirements. Well, you are not necessarily forcing them to take that, but it is a requirement, and I think there is a great difference there, and I think requiring people to accept work that is available to them, that would take care of their needs is certainly a requirement that we should insist upon.

Mr. MITCHELL. Just before you came in, Senator Fannin, I had said to the chairman that it is my opinion, based on experience, that most mothers would like to work but I think we, as people who have the future of our country in mind and the responsibility for caring for the children of this Nation, have an obligation to see to it that if they work there must be adequate day care facilities and they must get a wage that is commensurate with the duties performed, because if we do not do that, we are going to generate worse problems in the form of juvenile delinquency and things of that sort, stemming from parental neglect caused by nothing more than the absence of the mother from the home.

Senator FANNIN. Of course, that could be argued both ways. Many times it would not be a great advantage, other times it would be an absolute necessity. We would not want to just get into that as that simple, I don't think, but what I am concerned about is we have a problem, we must find a solution, we just cannot keep adding and adding people on the welfare rolls without hurting those people. We are worrying because their attitude then in many cases that carries down through with the children and the children think, "Well, dad and mom, they were on welfare. What difference does it make, we can go on welfare." That is something you don't want and I don't want. We want that self-discipline, that encouragement along with self-discipline, to help these people so they can help themselves and I do not think we are going to do it the way you are recommending.

Mr. MITCHELL. Well, that is true, what you said, Senator Fannin, but before you came in I made the point that in all of these things we say about what is causing the increase in welfare rolls we have to be sure that we can prove it statistically, and if we prove it statistically, then determine how much of this is causing an increase in the welfare rolls. For example, who could say that the fact that a person has 11 children instead of seven is a reason why the welfare roll costs jumped $5 million? That may be true but we have not as yet, to my knowledge, developed any statistics which support, which would support that point. And I said, too, that it seems to me it makes it far more difficult to do what you and I want to do, which is put people on their feet, if we identify these recipients as so profligate, and so unrestrained that they wind up with children on a kind of a production line, because that makes them get the kind of image which causes people to say, "Well, why spend money for them?"

Senator FANNIN. I do not want to say why spend money for them, but I do want to know why we almost encourage that to happen.

Mr. MITCHELL. I do not know that it is done. So far as I know the welfare agencies dispense information about birth control. I was a little, I am a little old-fashioned, and I was a little bit shocked to go into an institution that I have some connection with which was the last place I would expect to see this, to see advertisements about birth control and abortions and things of that sort, which had been put there by welfare and city agencies. Well, I say that merely to indicate I am sure that kind of information is being disseminated, and in my judgment that is the only way we are going to come to grips with the problem of excessive birth, if you call it that, although I hasten to say I would not consider the birth of any child excessive.

Senator FANNIN. No, but sometimes it is regrettable at times. We know that.

Mr. MITCHELL. Well, only God knows that, really.

Senator FANNIN. Well, of course, I do not mean it from the sense you are talking about. I am talking about the child suffers by being brought into a family of 10 or 11 where the family cannot support the child and not take proper care of it, including welfare, and it is still a problem of taking care of 11 children.

I am not one who should judge who should have a family.

Mr. MITCHELL. Well, you see, I think you cannot have it both ways in this country. We cannot say we want children to take, to read the Bible in schools or take an oath of allegiance to the flag, and things of that sort without carrying through to its ultimate conclusion the principles for which those things stand, and the Bible stands for the right of man to be born, and the Constitution and the flag stand for the right of people to determine how many children they are going to have.

While I heartily agree that we ought to make information available which will enable those who want to use it to control the size of their family, I do not think we ought to make it as a condition of receiving assistance.

Senator FANNIN. I do not think there is any document that stresses more the attitude of work and the requirement for work more so than the Bible.

Mr. MITCHELL. You are so right, and I think, Senator Fannin, that we underestimate the potential of people who want to work.

Now it just happens when the Atomic Energy Commission was building the plant down at Aiken and Augusta in South Carolina some years ago, I was down there and we were talking with the companies about who would work in that plant. This is atomic energy. We thought this had to be some high-powered workers of one kind or another. The people who were building that plant said, "All we need to have are people who know how to operate a tractor. If they know anything about machinery we can train them to work in this plant."

I think we just do not understand how many people really would love to be able to work but cannot find a job. I do not know how we can get that breakdown between the people looking for work and jobs that are available, but I do not think we have scratched the surface.

Senator FANNIN. Of course, there are many jobs. I have neighbors, friends, I know my own wife has problems getting domestic help, it has been a continuous problem. It is here in Washington, it is in my State, so I just feel that we are not, somewhere or other we are not getting the two together.

I thank you very much.

Mr. MITCHELL. One thing, I think we are not paying people what they ought to be paid for work, and then where you have the really good jobs, as I am sure you must have, that shows that word does not get to people who would be worthy of it.

I am rapidly reaching the point, Senator Fannin, where I think in this country, unfortunately, there are some people who just do not want poor people to have a decent wage. It happens my youngest brother is a Member of the other body, and a member of the Banking

and Currency Committee. He got, with the help of Republicans and Democrats, an amendment to the wage legislation which said that the wage control would not apply to those people who were working below the poverty level because obviously, if we could raise them, that would be a good thing. But that amendment is not being carried out at this time though it is the law, and apparently the reason is, there are some people who just do not want to pay the poorer folks the wage that even the law says they should get.

Senator FANNIN. Well, of course, naturally there are people who want to hire at the lowest wages, I grant you that, but I think most businessmen, they are wise to take a person on the basis of production, and I think that is the basis on which successful operations are brought forward.

Well, thank you.

Mr. MITCHELL. Thank you.

The CHAIRMAN. Do you have any questions, Senator Hansen?

Senator HANSEN. Mr. Mitchell, would you think it would be helpful to have a better means of identifying all welfare recipients than we presently have?

Mr. MITCHELL. Well, I think if you have adequate safeguards of privacy, I think Senator Ribicoff or Governor Rockefeller mentioned that in one of these programs there is a social security number which goes on the welfare recipient's record, and I do not know what the purpose was, but I think it was for the purpose of, for example, looking for a father who might not be taking care of his children; well, that seems to me a rational and reasonable request. It is just like asking somebody for his address or where he was born.

Where I would draw the line is in the case which was mentioned today where some official of the State of Arkansas said that if he could just get access to the information that was available to the welfare people, he would be able to cut down the relief rolls.

Well, that, in my judgment, would be a horrible development in our country because there are plenty of people who would be delighted to get that kind of information for the purpose of driving people off of welfare, not for the purpose of unearthing chiselers.

Also, I think——

Senator HANSEN. I do not know that I understand exactly what you mean by this.

Mr. MITCHELL. I do not think you were here when that came up this morning.

Senator HANSEN. No; I heard some of it—as a matter of fact, I think I may have referred to the county attorney from Arkansas who was speaking about——

Mr. MITCHELL. Was it you?

Senator HANSEN (continuing). Who was speaking about the lack of cooperation on the part of the Federal agency, HEW specifically, as I recall. He said that, as a matter of fact I think what he testified to was that by virtue of regulations long ago adopted, HEW just adamantly refused to make any information available, and I think his interest was in trying to trace fathers who deserted families.

Now, when I said I did not understand what you meant, I am not clear in which way you think that such information made available

to appropriate officials would be used to keep people from applying for welfare. Maybe I misunderstood you.

Mr. MITCHELL. I said it would be used to drive people off welfare rolls. Unhappily, when a man is elected to public office, sometimes the lure of a headline gets him to act in a way that is really not in keeping with his oath of office or public need, and I would predict that if people like that, the gentleman that you mentioned, had access to welfare rolls, quite likely they would use it in such a fashion as to embarrass recipients so that they would be glad to get off welfare even though they were in fact in need and that is why I would say I do not think you should make that kind of information available.

Senator HANSEN. Well, I guess if I understand you correctly, we may not see eye to eye every bit of that problem. I would take the view that a father who deserts his family ought to have to share the responsibility. I do not think it is fair at all for a husband, simply because it seems to be easier for him, to pack up and leave to go off and abandon his wife and leave her with the responsibility of seeing they get welfare and that they are taken care of. I happen to think that they ought to be traced down, and in Wyoming we have been trying to do this.

Mr. MITCHELL. I agree.

Senator HANSEN. I might add, about 99 percent of them are all white people, because I think we have fewer than one-half of 1 percent blacks in Wyoming, so I am not injecting any racial bias in this at all. It is just a case of——

Mr. MITCHELL. Unfortunately, no racial group has any monopoly on philandering.

Senator HANSEN. I agree.

Mr. MITCHELL. But I would say, I think, I am in agreement with you because before you came in this time, I did say that anything which would enable us to catch the fathers who escape their responsibility, would be useful, but I also said that I could not for the life of me understand why the prosecutors and other officials cannot do that now, because the law certainly requires fathers to support their children.

Senator HANSEN. I think the law is clear enough, but, unfortunately, I gather from what their Mr. Weems, I believe it was, testified, indicated, that he could not get any help from HEW at all in order to help trace down through whatever means, I suspect that most of these people would have some social security numbers, and I would gather that that information would be helpful if a father were to go across a State line, as oftentimes happens in my State, if the appropriate officials—and I do not mean to make this information indiscriminately available at all, but if appropriate officials might be able to find out from social security people if this person were employed outside of the State, it would be quite helpful in getting some finger on him so you could see that part of his salary goes to the support of his family. Would that disturb you?

Mr. MITCHELL. It does only for this reason. I have not read that legislation recently, but I seem to recall that the agency would be prohibited from giving out that information as a matter of law, and one of the things I mentioned before you came in was, I think that in the

administration's bill, originally at least, there was a provision which would try to meet that problem. It does seem to me that would be the way to do it, and not violate the secrecy of the social security records, which we have imposed for the protection of people for other reasons.

Senator HANSEN. Mr. Chairman, I am aware that there is a vote going on. Perhaps we should all go vote.

Mr. MITCHELL. Thank you.

The CHAIRMAN. Have you finished interrogating the witness?

Senator HANSEN. I would just like to say your testimony has been very helpful.

Mr. MITCHELL. Thank you.

Senator HANSEN. And I must say you are a very excellent witness.

Mr. MITCHELL. Thank you, Senator Hansen.

The CHAIRMAN. We will recess for 10 minutes while we vote, and then we will reassemble here.

Mr. MITCHELL. Thank you, Mr. Chairman.

(Short recess.)

(The prepared statement of Mr. Mitchell follows:)

PREPARED STATEMENT OF CLARENCE MITCHELL, DIRECTOR OF THE WASHINGTON BUREAU OF THE NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

Mr. Chairman and Members of the Committee, I am Clarence Mitchell, director of the Washington bureau of the National Association for the Advancement of Colored People. Thank you for this opportunity to present testimony on H.R. 1, proposed welfare reform legislation.

The following four points are the major thrust of the NAACP's resolution on welfare reform.

1. Elimination of categories and establishment of a unified federally administered and federally financed system based solely on need (the job rights of state and city employees should be fully protected during the transition from State to Federal administration).

2. Benefit levels:

a. Minimum benefits for individuals and families beginning at the government-defined poverty level, with appropriate adjustments to meet variations in the cost of living;

b. Federal supplements to assure that benefits are maintained at least up to present assistance levels.

3. Protections as to both suitability and wage standards on all job or training programs. Wage rates should equal the federal or state minimum or the prevailing rate, whichever is higher.

4. Exemption of mothers of pre-school and school-age children from all job or training requirements; establishment of day care centers with adequate standards and other supplementary services to enable mothers who choose to accept employment to do so.

We are also concerned about the need to give adequate safeguards to the job rights of individuals who are currently employed in welfare programs.

At present, large unemployment is one of the principal reasons why training of welfare recipients, without at the same time creating new job opportunities, would be meaningless. On the other hand, even during periods of full employment there are some persons who would have great difficulty in obtaining or holding jobs in private industry. A careful program of matching individuals to jobs in the public sector or in non-profit organizations would have untold value in our country. In this respect, we could receive very valuable guidance from our experience in the anti-poverty program and other types of job creating efforts that we have made in recent years.

[The NAACP stresses the need for strengthening regulations that would prohibit the forcing of welfare recipients to accept employment that does not pay fair wages or to work under conditions that would be hazardous to health and safety.] We are also opposed to any requirement that mothers be required to work as a condition of receiving aid.

We urge that the training and work programs for mothers must be entirely voluntary. The NAACP believes that mothers themselves are the best judges of whether or not they can be out of the home and the decision to work ought to be left entirely to them.

It is absolutely essential that adequate day care facilities be provided in those instances where mothers choose to accept employment but need places to leave their children while they are on the job. If we are to be realistic about day care centers we must make provisions for adequate trained personnel to handle such centers, whether they are under public or private auspices. We must establish minimum standards of health and safety in such centers. As a practcal matter, this means we must be prepared to spend money for electrical wiring that will not be a fire hazard, for plumbing facilities that will be suitable for children, for kitchen facilities, sleeping arrangements and all of the incidentals that make it possible for children to have a healthy constructive environment when they are in such centers. These suggestions are based on the practical observations that we have made in many parts of the country. There are many good intentions in private institutions when they are called upon to provide day care, but local politics and penny pinching attitudes on the part of those who control the purse strings very often frustrate those who desire to help.

Although welfare reform will undoubtedly have the effect of raising standards in some parts of the country, we must make certain that it does not lower the standards in those areas where systems of aid are designed to meet the actual needs of those who receive public assistance. It is a fact that many of the important programs designed to help the poor are not reaching those in need.

The CHAIRMAN. Next we will hear from Mr. Carl C. McCraven, chairman of the Southern Area Conference Health Committee of the National Association for the Advancement of Colored People.

Mr. McCraven does not answer his name. Then we will call the next witness, Mr. Theodore C. Wenzl, president of the New York State Civil Service Employees Association.

STATEMENT OF THEODORE C. WENZL, PRESIDENT, NEW YORK STATE CIVIL SERVICE EMPLOYEES ASSOCIATION

Mr. WENZL. Senator Long, Senator Fannin, I am very grateful to you, and I appreciate this opportunity of your allowing me to appear before your Senate Finance Commitee. I know the hour is getting very late. Others, representing the labor employee aspects of the carrying out of whatever programs may develop in the Congress, have already spoken. I do not care to be repetitious on that point.

You have a copy of my text, and I beg of you to allow me to speak very briefly, perhaps off the cuff at the top of my head, and that would suffice so far as I am concerned if you are agreeable.

The CHAIRMAN. We will print your entire statement, of course.

Mr. WENZL. The aspect of the social programs, and if funding being big business is basic to the considerations, I wish to present to you. This is one of the largest businesses in this Nation, and there are many, many thousands of employees engaged in the administration and the execution of the policies and performing the work functions required in moving the programs forward in terms of whatever funds are available and whatever objectives are to be hopefully attained.

Now, there is a large segment of professional employees and paraprofessionals who are the key elements in what I refer to as the labor employee aspects of the successful carrying out of programs of this magnitude and complexity.

Now, the developments related to H.R. 1 and concepts of separation of services get into the simple thing of drastic change.

Now, at this juncture, I cannot help but reflect upon some words of Eric Hoffer, the west coast man who developed himself independently in quite an interesting manner. He mentioned in one of his writings with regard to change about the migrant laborers who did nothing but pick peas up and down the west coast, but this particular group at one time found themselves in a situation where they were required to pick beans, so just changing from peas to beans was such an emotionally upsetting thing that these men were practically beside themselves.

Now, you relate that just that single element of people accustomed to doing things and working on a particular object in a certain way and then moving it in its simplest terms, now relate that to H.R. 1 and separation of services, with a large group of professionally sensitive people, dedicated people, and you really have a nice problem that should not be overlooked, in my view.

In New York State, I witnessed amongst this group of people considerable confusion, and that is putting it mildly, frustration and, frankly, morale is at a very low ebb at this time among the personnel. These people can make or break the program.

In my view, no matter how well the policies, no matter how much money, no matter how you go about it, if the careful consideration of this element is overlooked, the program could just go down the drain, and it is too bad.

There is a tendency to overlook this because it is lacking in the glamor, the substance, the policy, the objectives are overriding, and we overlook the hands that are supposed to carry out the program and the policies.

These people at the moment in New York State complain about nonparticipation, this is a very important thing, to have employee participation in the development, wherever there is change of this nature, and the very fact they do not participate causes an obstacle that is very critical right at the outset.

They must have better information, better communication, time to really get into dialog and understanding so that they may be comfortable in this, the new seeing and the new directions in which the work they are supposed to do may move forward.

Some, for instances, in separating the funding or the money aspects from the social service work into two different groupings, well, who are these people? Which ones are going to move from one part of the program to the other?

Some of those who will be moved into the administrative financing, will they become Federal employees or quasi-Federal? Do they become new employees? Is there any portability here? Do I lose all the equity I have in my working years because of this administrative move or decision?

This is very important to human beings whose lifework has been in this field, and until some time they know that all of these elements and their expertise and protections are guaranteed, this program is going to have insurmountable obstacles.

You have many of them with regard to the substance, but in the discussion of the program, if you add these on top of it, you really are

asking for a peck of trouble. And I see it developing in New York State. The people just are beside themselves, and to get a program of this magnitude and size underway with that type of moral right facing you, you have a real situation that requires careful attention.

And, briefly, those are the key points that I wish to present very informally, as that is about all there is to my presentation in its simplest form.

The CHAIRMAN. Thank you very much, sir. I have read your prepared statement as well.

Mr. WENZL. Yes, sir.

The CHAIRMAN. Any questions?

Senator FANNIN. Just one question, Mr. Wenzl.

I realize that there is a state of flux now in many people wondering what is going to happen. Of course, so far as this committee is concerned, I think the preponderance of viewpoint would be that we would retain at the State level the administration of the program. I mean that is what I think we would like to do, and not have the Federal employees all take over the State jobs.

So I do not think that that—that may not become a serious factor, but I do think we have to realize that we have a great challenge before us today, more than we have had for many, many years or perhaps ever, and that is from other countries of the world. The competitive challenge we have must be taken into consideration in all types of work, even servicing jobs, jobs that are not basic production jobs.

The basic production jobs are already having great difficulty, but that is also going to cause additional difficulties in the servicing jobs.

Now you realize that we are having jobs transferred overseas, tremendous imports into this country. When you realize that, you take most any product you want, for instance, home radios, 90 percent of them being imported; automobiles rapidly becoming a tremendous factor, this is a very serious problem.

So when you talk about what is happening, and what we are going to need to do, we have to really realize the changing times that face us.

Do you think the people are aware of that?

Mr. WENZL. Yes, but that is a little, if you will pardon me, remote from the point I wish to make.

The parameters of what I am discussing involve just State employees in New York State, and local government employees who are involved in the success of the operations of the social welfare programs and requirements, and this whole change about in separation services, and I am interested in the success of this program, whatever it may ultimately turn out to be, and not merely the job protection for them. They are there, they have the expertise, this is a resource——

Senator FANNIN. Yes.

Mr. WENZL (continuing). Item and it should not be neglected and overlooked.

Senator FANNIN. I am not saying it is. You are saying it is remote; it is not remote, it is directly connected because if we do not have revenue, we do not have tax revenue, if we do not have basic industry in this country, we will not be able to take care of those jobs that you are talking about.

Mr. WENZL. I think that is true.

Senator FANNIN. I think the people of this Nation must realize there are some sacrifices going to be necessary, and I talk about self-discipline, I think there is going to be, needs to be, self-discipline and we are not going to have this rosy picture we have been facing in the past few years.

Mr. WENZL. Maybe I could say it this way: If attention is given as to what I am trying to say, it will help make the best use of the funds available.

Let's not have further wasting as was brought out, whether we agree with it or not, during the day, that I heard here.

Senator FANNIN. Yes.

Mr. WENZL. So I am saying that if attention is given to this and if it is carefully worked out, we will be husbanding and marshaling our forces more efficiently, which is a plus in terms of your concern.

Senator FANNIN. Which we all favor. But I think, too, that the people you are talking about, that you really are being so concerned, and perhaps disappointed in what they hear, but I do not think that, what I am trying to say is I feel there is a good chance that they will not be replaced on their jobs, that there is a good chance that we will give the administration at the State and local level and not with Federal jobs.

Mr. WENZL. You see you have the whole bureaucracy, this whole most complex thing, and you have just one individual thing.

Then there is a State concern, it is a communication thing, and the State will say, well, the Federal Government—and there we go and here is the lonely individual trying to do a job, trying to deliver, and that is what I am saying.

Senator FANNIN. I understand what you are saying, but I think it is a much more serious problem than you realize.

Mr. WENZL. Oh, well, good. I am glad to hear you say that.

If you look at it more seriously than I do, I am very pleased about that.

Senator FANNIN. We look at it differently, but I think I look at it more seriously, yes.

Mr. WENZL. Very good, I have no quarrel with your point of view there, Senator.

The CHAIRMAN. Thank you very much.

Mr. WENZL. Thank you.

(The prepared statement of Mr. Wenzl follows:)

STATEMENT OF THEODORE C. WENZL, ON BEHALF OF THE NEW YORK STATE CIVIL SERVICE EMPLOYEES ASSOCIATION, INC.

INTRODUCTION

First, I wish to thank the Senate Finance Committee for this opportunity to testify in behalf of the New York State Civil Service Employees Association with regard to its position on H.R. 1.

CSEA has always recognized the need for better legislation designed to improve and motivate the welfare recipient from the status of dependency on welfare to that of providing welfare recipients an opportunity to work towards self-support and to become a constructive part of the American mainstream of labor. The current public opinion regarding the prohibitive expenses towards supporting the costs of welfare, and the State's overburdened budgets needed to support these high costs, blends with CSEA's recognition of the need for landmark legislation aimed at the much needed reforms as embodied in the concepts of H.R. 1.

CSEA PARTICIPATION IN NEW YORK STATE

CSEA represents over 200,000 State and Local Government employees. This Association speaks for a large cross section of members who are employed in the State and Local Government Social Services Departments. In fact, the whole gamut of employees from File Clerk to Case Work Supervisor is represented by CSEA. New York State has implemented the "Separation of Services" on a statewide basis for almost a year. During this time anxieties and tensions have developed in many forms among the employees. As a result of this condition, I had directed that a Special Ad-Hoc Committee for Social Services regarding the "Separation of Services" be established to seek out the problems encountered in the implementation of the program, and to resolve the many problems that have confronted the Social Service employees.

Based upon the tremendous feedback of information to this Committee which is on a statewide basis, CSEA finds itself to be in the unique position of feeling the full effects of the implementation of the "Separation of Services" and thereby feel qualified to comment on H.R. 1. from a statewide viewpoint.

PROBLEMS ENCOUNTERED BY CSEA

Feedback shows a vital concern by all segments of Social Service employees who are directly affected by the impact of H.R. 1. It has come to light that:

1. There are justifiable anxieties over the employee's job protection.
2. Much frustration has been generated from all employees involved in Social Services who were directed to carry out this program.
3. There has been a creation of much confusion bordering at times on utter chaos.
4. Morale among the Professional and Non-Professional in the New York State Department of Social Services has deteriorated alarmingly.

Detailed analyses indicated that the anxieties, frustrations, and low morale together have come about because of an absence of guidelines and standards attending the implementation of the Federal program. On this point the difficulties appear to be lack of effective and continuing communication between the Federal and State governments. Employees who are directly responsible for the implementation of this plan suggest that the Federal Government establish a transition period, and there is a need for more detailed planning and programming to be set forth by the Federal Government with regard to the establishment of uniform guidelines and standards, in order to effectuate a better and smoother transition.

This transition should serve as an adjustment period whereby the State and its employees are allowed the opportunity to review the objectives, guidelines, and standards set forth by the Federal Government, as well as an opportunity for such directly involved employees to respond and comment on the implementation of H.R. 1. It has been the experience of CSEA that staff participation in planning and reviewing new programs is not only practical, but essential.

As a result of the difficulties being experienced in the implementation of the "Separation of Services", CSEA's Ad-Hoc Committee arranged to meet with management representatives of the New York State Department of Social Services. Through these meetings, CSEA became more aware of the underlying philosophy and intent of the program. Acting as a conduit, our committee then worked toward providing information to the Local Government Social Service Employees.

Subsequent to our meeting with the departmental representatives, CSEA then met with various representatives of the New York State Department of Civil Service to explore the possible conflict between the proposed new staffing pattern and existing job security as provided by statute. Through these meetings a formula for implementation of the Welfare Examiner Career Ladder was agreed to between CSEA and those responsible for the administration of our many contracts with local agencies and the application of Civil Service Law.

Our final effort toward establishing better lines of communication led us to a meeting with the Executive Committee of the New York State Social Service Commissioners Association. As a result of these meetings, both the employer and the employees of the local departments gained a better understanding of the flexibility provided for implementation of the "Separation."

Our efforts in representing our members led us finally to testifying, by invitation, before the New York State Commission to Revise the Social Service Law.

During the three hearings held at all corners of New York State, many of the problems regarding implementation were attested to by those invited to participate.

In its report to the Legislature, the Commission has made several recommendations that, we think, will assist in "Separation" and make ready those agencies and their employees for an effective Federal take over of the Income Maintenance responsibilities now administered as part of the New York State Social Service program. Our efforts, we feel, have eliminated, in most instances, the confusion that has troubled the career employee which has obviously affected his ability to go forward in an effort to make the "Separation of Services" possible.

PRIMARY CONCERN—CONTINUED EMPLOYMENT FOR STATE AND LOCAL GOVERNMENT EMPLOYEES

As head of New York State's largest public union, I cannot stress, too strongly, CSEA's concern that continued employment for State and Local Government employees now doing Social Services work is of the highest priority. CSEA adheres to and in all probability, is in full support of the Ribicoff-Bennett Amendment which is directed towards preserving employment of all incumbent State-Local employees in many cases as Federal employees.

The consideration of continued job protection and maintenance of the merit system, as we in New York State know it, have caused much of the anxiety to be reduced, in most instances, to non-existent.

The primary purpose of CSEA has always been the protection of its members and job security in the interest of adequate and proper service to society.

CSEA SUPPORTS THE POSITION OF THE NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES

As referred to previously, CSEA has met with representatives of the New York State Department of Social Services. At several of those meetings, the New York State Department's position regarding H.R. 1 was discussed.

Based on the explanations provided to our Committee, CSEA, as the organization representing the employees of the local administering agencies, support, fully the comments presented to your Committee by the representatives of the New York State Department of Social Services. The continuance of funding requested by New York representatives are absolutely necessary during the period of implementation and without this full funding, we feel many of the problems encountered at the beginning will continue to adversely affect the implementation of the total program.

The CHAIRMAN. Next we will hear from Mrs. Jean M. Whittet, director of the national board, YWCA.

Is she here? She does not answer.

Then we will call for Mrs. Elaine McLean, vice president of Washington State Welfare Rights Organization.

Senator BENNETT. Mrs. McLean, I have read your statement and it is fascinating and I am sorry all of the members of the committee are not here to whom you address yourself.

STATEMENT OF MRS. ELAINE McLEAN, VICE PRESIDENT, WASHINGTON STATE WELFARE RIGHTS ORGANIZATION

Mrs. McLEAN. I am sorry, too, Senator Bennett.

I had really intended to read my statement, and I still will, if you would like to do that, or in view of the time, since I know that most of you have read the statement——

The CHAIRMAN. Why do you not just submit your statement and I will urge the other Senators to read what you have to say with regard to their views. I think it is a very interesting statement and you have been most patient to sit through all these hearings up to now.

Mrs. McLEAN. Well, I intend to stay for the rest.

Senator BENNETT. I think you had better tell the members of the committee that they had better read that statement because their names are in it.

Mrs. McLEAN. I would just like to sort of chat with you and answer any questions you might have and talk a little bit about some of the experiences that I have had, over the last few months—I think more than anything anyway.

I guess most of all, I wanted you to know why we went on welfare 5 years ago.

As you can see from my testimony, I have had a lot of jobs in a lot of places and I have done a lot of different things, and having been raised with more money, I had a certain kind of background, and I have a certain respect for humanity, and for people, and, to try to be a very good mother to my children.

I certainly did not want all those children, but at that point in time and at my age, birth control methods were not always available to me and for a variety of reasons, and sometimes it was winter and we were out of work.

When I was a telephone operator, I worked a lot of evenings so my husband could be with the children, and I worked a lot of nights so that I could be with them during the day to prepare meals.

Over the years I began to have problems with my throat, and with the rest of my body, and so I have had seven major surgeries, I have had two major illnesses. It has been very difficult these last few years to try to understand some of the things that have been going on.

My husband was born handicapped, and he has had a lot of problems all his life. He always has done manual work. He works in the potato fields in Idaho, Senator Jordan. He worked in Yellowstone Park and wrangled dudes, and chopped wood.

He tried to find a job in Salt Lake and found that it was very difficult for a non-Mormon to do that. He did not ever get to Louisiana, Senator Long. People generally did not want to hire him. But he tried very hard and he kept being injured. He was injured in the mines, he was in an explosion, he fell off the top of a hot asphalt tank in Alaska. The company did not have insurance, and so that winter I was in the hospital and he was sick and the kids were sick, and we had sold everything that we could sell, and we had hocked everything we could hock, and we had borrowed everything that we could borrow, and we did not have any heat in the house and we were then living in Anchorage, Alaska.

So finally, it came down to we did not have any choice but to go on welfare. So we did, and we have been trying to get off ever since.

He has been four times in vocational rehablitation training programs and four times they have trained him for things he cannot do, and we are now separated, partly because I need to be sure in my own mind that they can take care of themselves and partly because I feel so strongly about what is happening in the country.

It has been amazing to me to talk to groups like the Junior League that I had never had any previous contact with and know that they, too, feel just as strongly about welfare and some of the things that I was concerned about. We have even got city council chambers to talk

about welfare reform in a couple of cities; that has been really amazing, the kind of interest in those communities that we have had.

We did a workshop on just how do you talk about welfare reform in Wisconsin.

I guess what I would really want to do, if it was possible, is to get a lot of these people who have very real concerns, just as real as yours and mine, and try to write a bill that would be better for people, that would satisfy the needs of some of those people.

I am very concerned about the children, my children and a lot of others. The last thing I want is for them to be on welfare, and I hear that most often from mothers, young mothers. I have been in Headstart and that is where I was trained to evaluate programs and I see what is happening to some of those children.

My little girl can read and write and type and she is only 6, and my 16-year-old is in college calculus, in his 9th year Spanish, I do not want to see them live the same kind of life that we have lived, but I do not know how to prevent that.

I have some ideas, but I would like to see citizens more involved in their government.

You know a lot of us feel that kind of responsibility, and I think we could do it. I did not know how to lobby when I started so a lot of times down in Olympia what I would do, (I got into all four caucuses the first week of the session which was somewhat of a coup, I understand.) And so they knew me, but I did not know all of them, and so I just wore the same clothes every day and stood by the elevator, and they knew me, and that was all that was really necessary. But it sort of proved to me that there is more than just one way to get into a session.

I really have come to respect all of you gentlemen here. I know how very hard you are all trying to understand, how hard you listen. I am very concerned about the people who do not come to the hearings, though. How are they going to know what we all said. I guess that bothers me, too.

Sometimes I felt here like it is a case of, thou shalt love your brother but only if the Bureau of the Budget says we can afford it. I guess I would really like to find some other kind of work to do, too, because I would like to do away with welfare. I think it is a bad thing. I think it is a bad thing for the people who are on it and I think it is a bad thing for the country. I know what it has done to our family, and I would not wish it on anybody.

I guess the only other things I really wanted to say were, if you take people on the basis of production, Senator Fannin, I guess maybe we ought to look at the Congress, too, and State governments and, a lot of other things. I think we almost need a complete overhaul when it comes to paying people to do things that they do not do.

I know in the case of some of the poverty programs, that is one of my major criticisms.

I am also concerned about some of the terms that are used, like culturally deprived. I would submit we are only culturally different, and that really bothers me, and so, to close this sort of informal statement on H.R. 1, I guess my biggest problem is, the big print giveth and the fine print taketh away.

So if you have any questions, I would be delighted to answer.

Senator BENNETT. Mrs. McLean, the chairman has been called away. I understand my friends on the other side of the aisle have some party obligations this evening, and so the Democrats have all left us.

I think your full statement, backed up by what you have told us today, is one of the most interesting and most significant bits of testimony we have had, and I have been interested that you have been sitting here probably more often and through more hours than we have been able to sit here. That makes your statement all the more significant because you have talked to us from the point of view of a person not only who has been on welfare, but who has been sitting through these hearings, and gotten a feel for the problem we have in trying to dig our way through the great mass of differing opinions and the seriousness of the whole problem, which is not simple in itself.

I am sure we are not going to write the perfect welfare bill, but I am equally sure that the majority of the members of this committee hope to write a bill which will produce a better welfare system than we have had, and I am delighted that you have been patient with us and that you have been willing to share your point of view with us.

Do you have any further comments?

Senator JORDAN. Yes; I do.

I want to say to Mrs. McLean that you have made a very impressive statement because you speak from your own experience and speak from your heart. This is the kind of testimony that we rarely get because particularly people have not experienced what they are talking about.

Mrs. MCLEAN. I do know that.

Senator JORDAN. And your conviction and your statement.

I would like to ask you, Tom Vail of the staff suggests that I do, what job training your husband had for four jobs, I believe you said, and tell us about that briefly, if you will for the record. I would like to have it in the record.

Mrs. MCLEAN. I would be delighted to tell you about that but I would also hastily add that he does not like me to use him as an example, and so, although I would be delighted to share it with the committee, I am not at all sure that I would want it included in the record.

Senator JORDAN. All right.

You have told the staff and if you do not wish it in the record, it will not go in the record and I shall not press you any further on it.

Mrs. MCLEAN. Well, I would be glad to tell you.

Senator BENNETT. At this point, if you would like to tell the committee, we could go off the record. There are a dozen people in the audience if that bothers you.

Mrs. MCLEAN. No; that does not bother me.

Senator BENNETT. Let's go off the record.

(Off the record.)

Mrs. MCLEAN. That is why I am so concerned about H.R. 1, because so many people——

Senator BENNETT. I think, unless you have some questions, Senator Fannin——

Senator FANNIN. Thank you, Mr. Chairman.

Mrs. McLean, certainly you have made a very fine statement and have been very frank, and I realize your sincerity and certainly I have

no quarrel at all with what you have said about the programs we have because I have seen them in my own State and I have been trying to get them rectified.

We have a chance to train people for jobs that are available and still the Department of Labor has precluded us from doing so and I feel that your husband, being willing to work and having the disabilities that you speak about, that there should be a job available for him, one that could be teaching others as you have stated, that he has the ability to perform.

Mrs. McLean. You know I think we are really moving in that direction in Washington. I have the greatest admiration and respect for Governor Evans, and the fact that we are consolidating a lot of our services out there, and trying to put things together that will be meaningful for people, and in our Emergency Employment Act program and our employment supplemental program in the various other kinds of volunteer and work-related programs that we are getting together, which is people-to-people kinds of operations, he has done a magnificent job.

We have some political, philosophical differences, but he has done more for the people of Washington than I have ever seen one other political figure ever do, for a whole body of people because he is concerned about the State as a whole, and we are reducing the welfare rolls, we are giving more money to the neediest people, a lot of what we do in our organization in Washington State is to try to right some of the wrongs that are happening.

Senator Fannin. Well, it has been very unfortunate that we have had the high unemployment there because of the cancellation of the SST, and whether we are for it or against it, it has been very unfortunate.

I was very much for the program, thinking it would help us in many, many ways, but that is not the point. I mean we face a condition there that has worked a great hardship on the people and, of course, even people like your husband have less of a chance of finding a job because there are so many out of work who are skilled mechanics who are looking for work, so I certainly understand the great problems you have and it is prevalent throughout the country.

What I have been trying to bring out during the time I was talking about the subject I referred to about these jobs going overseas, the corporations moving, I am talking about jobs leaving this country and the imports that are coming in, and this is my tremendous concern because I do not like to see our jobs displaced by the import of goods to the extent that we have had it.

I know that even in the State of Washington, some of the work that was formerly done in this country is not being done in Japan, Taiwan, Korea, and places like that. So do not misunderstand me, I really am concerned about those jobs and their replacement because of some of the circumstances that exist here we have been trying to correct.

But I do appreciate the opportunity of hearing from you, and certainly you have brought out a case where there has been, I think, a disservice, and we are trying to work out legislation that would take care of these needs which certainly are indicated by what you have been through, and still the people who are able-bodied and could accept work and work is available for them, we want them to accept

it and to work. We realize it will not always be at a wage rate they like, but at the same time, I do not think we can continue on to have our welfare rolls increase and increase by able-bodied people.

Mrs. McLEAN. Well, you see, I guess you really have to look at what able-bodied means. To all outward appearances I suppose I look able-bodied, but that is, just really not true.

Senator FANNIN. I am talking about able-bodied people that could perform the work, and certainly I would not expect somebody who was ill or disabled in any way to be subject to that requirement, but I do feel that people, there are many, many people that I know, and I have even observed in my own city, that I feel should be required to perform a service, that sometimes if they are going to receive welfare, if they are going to receive money from the Federal Government.

Mrs. McLEAN. Well, I can think of so many people who do things, like we have a lot of Spanish-speaking people in the State of Washington, and people who want to learn Spanish. We will many times match up with someone who does not speak English and they trade back and forth. I do not see why that could not be compensated in some way.

Senator FANNIN. I agree.

Mrs. McLEAN. I have taught many, many women how to make quilts, my grandmother taught me how to make bread, how to sew curtains, how to do a lot of other things, and a lot of times I would have rather been compensated for doing that than to go out of my home and away from my children, have to take a job that really deteriorated my health even further.

I have known for a long time that my health was bad. I guess that is why I talked to Senator Talmadge about redefining work. I think that this committee has made a start about redefining work. I guess I think that there are a lot of jobs in the country that do not need doing, and there are a lot of jobs in the country that do need doing, and maybe we ought to look at some of those, too.

Senator FANNIN. Well, thank you very much. You have been very helpful.

Senator BENNETT. Senator Hansen?

Senator HANSEN. I do not have any questions.

I would like simply to observe, Mr. Chairman, that while I regret I was not here to hear all of your testimony, Mrs. McLean, I have had a chance to peek at it, and I must say it is most unusual, and I thank you for it.

You made reference to having helped make quilts, blankets. I as a youngster, I have done that. We used to clip the loops and tie the strings on either side. We had old quilting boards that I suppose many people would not even know about.

My wife and my mother and my daughter all of them know how to make bread and I think it is much better than bakery bread.

Mrs. McLEAN. One of the greatest satisfactions of my life was the day I could finally say that everyone in my house slept under a home-made quilt.

Senator HANSEN. Thank you very much for your testimony.

Senator BENNETT. Thank you very much.

(The prepared statement of Mrs. McLean follows:)

PREPARED STATEMENT OF ELAINE MCLEAN, VICE PRESIDENT WASHINGTON STATE WELFARE RIGHTS

My name is Elaine McLean; I'm from Tacoma, Washington. Vice-President for the Washington State Welfare Rights Organization—Low income member of the National Children's Lobby formed out of the White House Conference on children December 1970; National board member for the American Freedom from Hungar Foundation and their Youth Board—Young World Development. I have worked 10 years as a telephone operator and have my career appointment with the Federal Government—and many other jobs—setting pins in a bowling alley, waitress, in a laundry, a candy factory, a mortuary, a florist shop, cleaning offices and motels, in the fields, bar maid, housewife, mother, Federal evaluator, consultant and trainer and also as a volunteer whose work week runs to a 100 hours or more. I've also been on welfare for 5 years and have 5 children—all of whom were born when we were making $10,000 to $20,000 a year. I have a high school education. I am married—10 months before our first child was born—and my husband is handicapped. I am a registered lobbiest and voter, a precinct committee woman in the housing project I have lived—and I have done virtually nothing else since the middle of June 1971 but work on HR-1. I've not even *seen* those 5 children. So my interest is probably as great as your in what goes on here.

I have been here every day taking notes and listening to all the testimony and discussion. My interest here is to be able to gather and share information; work on attitudes, ours and yours, and to talk about welfare reform, the problems of the poor, the children, the political process and what it is to be poor—in this the richest country in the world. I had not intended to testify, but I realized that I represent a point of view that has not been represented here. So when the opportunity presented itself for me to testify, I felt a certain responsibility.

Sitting here I feel as though I have gotten to know all of you, at least somewhat. Senator Bennett, I was born and raised in Utah. My family is Mormon and many of them live in Utah. As a matter of fact, my mother lives in Salt Lake and is on welfare. I would never ask you for more money for welfare, better health care, more and better child care, clean air or no income housing or a better environment because I don't know *where* we would get the money—also being a realist I don't sit on the Senate Finance Committee and *I* don't decide. I probably couldn't even lift the national budget, much less go through it and take a million here and a million there and make sure that *all* the people had basic life support . . . besides that is not my job. What I would ask for is a more egalitarian system for us all.

Senator Fannin—I, too, worry about the corporations moving out of the country and the fact that we *all* have a tendency to spend money we don't have. I guess I felt a little like moving out of the country myself when I came to Washington, D.C. and began to see what really happens here. As Governor Evans mentioned in his testimony on Tuesday there are ways to deal with problems and still balance a budget. People on welfare do it everyday. If you would like some help maybe we could arrange it.

Senator Curtis—I read your bill and your statement and in some respects I agree with Roger Freeman and what he had to say. I was so impressed that I made sure our Governor had those before he came here. Even though I am not convinced that the Federal Government can do the job—I am equally unconvinced that the most States can do a better job. I have some ideas about what might be an alternative.

Senator Talmadge—I have to admire your ingenuity! That was really a surprise Christmas present you gave us all. But I can't help but wonder if that was what you really wanted. Have you ever thought about redefining work as a means of dealing with the problem? I wonder if any of us know how many jobs we are short in this country. You can't look at just the unemployment figures and think that they represent *all* the people who need jobs. When or if we had time I'd like to talk about that.

Senator Nelson—I know your interests are manpower and child care but I haven't heard you say much. I was in Wisconsin for a week before coming here and the people there did not seem to know very much about HR-1. Which sort of leads me to a question—Is there anyone in Congress that assumes or has the responsibility for public education? I know you and your staff try very hard, and that we appreciate.

Senator Byrd—I'd never really met a southern gentleman before and I can understand why you said that you'd rather not have the witnesses yesterday make personal attacks on members of the committee. I wonder if you all know how hurt I've been by some of the remarks that have been made here? If I ever have the opportunity I would like to talk to you all about the people on welfare I know who—working or not—can't make a "go" of it, who—United or not—have somehow been made to feel that they are not worth anything. Who—deserving or not—would *never* judge you, define your reality or your right to live. I agree with Sec. Richardson when he said that HR–1 was "revolutionary and expensive." It *is* revolutionary because it establishes a lot of precedents we never had in this country—precedent is a very interesting word—"something said or done that may serve to authorize or justify further words or acts of the same or similar kind"—People who support this bill say it is a start in the right direction. Right is the direction O.K., but guess who you run into when you go far enough right? The far left who are indeed revolutionary. And I wonder what that step is? With the establishment a national master file, assigning social security numbers to everyone, having all the cross computer checks and federal control of eligibility? What I'd like to point out is that if it can be done with us—the poor—maybe it can be done to you, too.

Senator Anderson—I'm sorry I have not been able to hear most of what you have said, but I am sure that with your wisdom of 77 years a lot of this must concern you.

Senator Ribicoff—I must say I admire your tenacity. Not many people have your ability and agile mind. You must be in a very difficult position, and to continue to push for welfare reform in the face of all those odds (and amendments and bills, I would hastily add), must be an arduous task at best. I've been in 21 states since the middle of September and spoken to all kinds of groups—League of Women Voters, Junior League, Right Wing, Left Wing, Democrats, Republicans, welfare rights, non-welfare rights, non-recipients, non-eligibles, churches, regional HEW—(where we just got an $8,000 contract to establish an advisory committee to the region), state legislative budget committee, VISTAs, poverty crats, day care people, welfare workers, welfare administrators, state administrations and so on and on down the line, for a total of over a 120 presentations on welfare reform. It IS tough, no doubt about it—because the one thing I know is that everyone has their own idea of what welfare reform *should* or should *not* be. I'd like to talk just a minute about pilot programs. I guess what I mostly know is that when you start out on a pilot program—people generally decide ahead of time what they want to prove and then prove it. So I would be a little careful of *who* decides what they want to prove and then *who* evaluates the results. Now to the poverty programs: Just as I would hope that you would not tax all welfare people with the same brush, I would hope that you would NOT tar all so-called "Poverty type" programs with the same brush. Some are good and some are not—just as in the case of welfare recipients. No one will deny that there are loafers and cheats on the welfare rolls just as (from my observations here in D.C.)—there are loafers and cheats in Congress. It just seems that there is a little difference—a difference in definition—if you will—in terms of need and the size of the check. We don't want FAP. We don't need FAP. If you and President Nixon want it—you take it, live on it and let us know how it was.

Senator Jordan—I spent a week in Boise just before Thanksgiving and in view of my experience there I would take umbrage with the construction man . . . and would caution you that all that glitters is not gold. My husband used to be a construction man so I speak with some authority on the subject. I do not disagree that private employers should be involved in work programs—I would only want to remind you that if we knew how to make private employers hire people instead of lay them off—we would not be in the trouble we are in now in the Northwest. I also can't help but wonder if *you* know that there is a builder in Boise who makes over $70,000 a year—who has a mother on welfare? By the way, he thinks that is O.K. She wants to be independent.

Senator Long—I really love you. You are so consistent and you've saved me many pages of notetaking by being so. I'd gladly come and iron your shirts, (I earned part of my family's living that way all one winter in Alaska.) just to meet the people you know and your neighbors. They sound very interesting. I came to these hearings prepared to dislike you, but I find that I cannot. Anyone who wants to spend 4 billion dollars for poor people cannot be *all* bad. I guess I just wish you knew some *other* poor people. I wish you knew why my family

went on welfare and just how many ways and how many times we tried to get off. I wish you lived with, worked with and loved some of the people I do. You might have another view. I can even understand your feelings about errant fathers. *I* even object when I know of cases where the father is making $20,000 and he doesn't pay child support. But these cases need individual attention, too, because if they don't have the money are you really willing to keep the family on welfare and keep the father in jail at a cost of $4,000 a year? Incidently, I am *not* on welfare *now*, and I am *not* employed—so I do *not* have a vested interest.

Senator Harris is to be commended for his efforts on behalf of the poor—but as any lawyer should know—in our country the laws themselves are cause for crime simply because they define certain things as criminal—also we should keep in mind that people make the law and that these people are more than apt to dispense a kind of class justice or legislation—rather than go into that whole area I'd just like to say there will be people here on Friday that will talk about legal issues and HR–1.

I don't mean to leave anyone out, but my time is nearly up. I promise not to quote any figures, HEW's or anyone else's, you must be as tired of that as I am. I respect your opinions and the task you are faced with.

I'd like to close with a couple of thoughts. I find that I'm becoming very philosophical in these, the last few months of my life.

The future—yours and mine—is made in the present. Many think it is made by the planners and so on—talking about it, but this is not true. It is made by the way people live and talk and act today, and tomorrow and the day after. Many people in this country have become doubtful about the future because they are beginning to feel in their bones that it will be the same. So rather than be blamed for that future mess they avoid being held responsible and just as in the case of HR–1, I can't help but think that you did not mean to give all that decision-making power to "The Secretary"—is this really to be legislation "by the people" *for* "all the people," or is it to salve the wounds of a few, take care of a few personal pet peeves and be *against* millions of poor children who cannot defend or be here to speak for themselves? While we are on the subject of "The Secretary," let us talk just for a moment about demonstrated evidence.

What evidence do we have that bureaucrats make decisions or design programs that really help poor people?

Does HEW really meet the needs of *all* the people in the areas of Health, Education and Welfare? I've really come to believe that HEW means Help Eliminate Welfare!

What evidence do we have that DOL is meeting the needs of *all* the people in the areas of Employment?

Does HUD meet the needs of all the people in housing and urban development?

What models exist to provide assurance? The Bureau of Indian Affairs? The Atomic Energy Commission? The Defense Department?

I worry a lot about what *will* happen if this bill passes—because what I know is that people *will* live somehow. Things are so bad in the Northwest that when drivers deliver food to the food banks they have to spray the people to keep them off the trucks until they can be unloaded. We also get shiploads of rice from Japan.

What about all the people who will not be eligible for welfare and who still cannot find jobs? Don't you worry that what you are creating is a still lower—lower class? Are you selling our bodies and souls and the future of our children under the guise of saving a few dollars? It is not *our* fault that the economy is in the shape that it is in—*Our* money goes back into the economy within 30 days. We do not put our money in Swiss banks—it goes to landlords, to buy oil, American beef, to pay tithing, utilities, for medical care, soap and keep our kids in school. Because for most of us the LAST thing we want is for our kids to end up on welfare.

I'm asking you as people that I have come to respect—to be thoughtful, responsible and humane. I love America—the land, the people. My identity does NOT depend on you, but whether or not we *all* survive.

I am not a bashful person. I would be delighted to discuss my life, my ideas, my experience these past few years, this bill—to whatever extent it is necessary.

Senator BENNETT. The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 5:20 p.m., the committee recessed, to reconvene at 10 a.m., Friday, Feb. 4, 1972.)

APPENDIX G

Income Maintenance Experiments

(Material Requested by Senator Abraham Ribicoff on January 28, 1972, During Hearings on H.R. 1)

THE UNDER SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D.C. 20201

February 9, 1972

Mr. Tom Vail
Chief Counsel
Committee on Finance
United States Senate
Washington, D. C. 20510

Dear Mr. Vail:

You requested reports on a number of income maintenance experiments which Senator Ribicoff listed during Finance Committee hearings on H.R. 1. I am pleased to provide you with this information.

Not all of the studies mentioned are income maintenance experiments. Denver, Colorado; Gary, Indiana; New Jersey; and Seattle, Washington are income maintenance experiment sites, while the projects for Atlanta, Georgia and Cook County, Illinois have been designed to test administrative planning assumptions rather than income maintenance, and the Vermont project has been focused on providing services, such as 4-C child care and manpower services. The Office of Economic Opportunity has, in addition to the New Jersey experiment, begun rural income maintenance demonstrations in Iowa and North Carolina.

With respect to any question of withholding information from the Committee regarding these projects, I want to assure you that neither this Department nor the Office of Economic Opportunity has made any attempt to hide the fact that such projects were underway or to withhold or deny requests for information about them. As you know, the Committee has heard testimony from Administration witnesses on income maintenance demonstrations, and I understand that staff level requests for information about the projects have been filled without difficulty. It is certainly true that final reports and conclusions have not been made available yet, but the reason is simply that the analysis of project data is not complete and no final conclusions

have been reached.

The Office of Economic Opportunity's New Jersey graduated Work Experiment, in particular, has received wide public notice and full reports on the status of the experiment have been freely available for some time. I am enclosing OEO's pamphlet ("Further Preliminary Results ...") on the New Jersey experiment and two preliminary analyses of the resulting data prepared by the Institute for Research on Poverty. (TAB A)*

Enclosed at TAB B you will find a general background paper concerning income maintenance tests which I believe provides you with a broad overview of the subject. The status report sections on Gary, Indiana and Denver/Seattle have been recently updated, and those recent reports are also under TAB B.*

A more detailed description of the Vermont experiments is included under TAB C.* I have not included any further material regarding the OEO rural experiments or the Illinois and Georgia pilot planning projects because none of these has progressed beyond the very preliminary stage generally described here and in the background paper. No data analysis has been done for the Iowa/North Carolina rural experiments. The Illinois/Georgia pilot planning projects are currently inactive, having only reached the talking stage between Federal and State and local officials. These latter projects were expected to test administrative implementation, focusing on such subjects as facilities and personnel. After preliminary discussions we have found that our project specifications were insufficiently detailed to permit meaningful tests so we have now decided to suspend the projects until we can develop more concrete planning assumptions and specifications.

I should add about all of these studies that none is complete and no findings are yet conclusive. You may be sure that we are following all of them closely.

Sincerely yours,

John G. Veneman
Under Secretary

Enclosures

*Tabs A, B, and C are made a part of the official files of the Committee.

Background Paper on Income Maintenance Experimentation May 1971. Division of Income Maintenance Research, Family Assistance Planning

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An income maintenance experiment is a project which seeks to provide information on the effects of a given financial "treatment" which can be generalized not only to populations other than the particular one covered by the experiment, but also to variations in the treatment itself. For example, an income maintenance experiment will seek not only to show if the work effort or recipients will increase or decrease given a certain standard and tax rate, but to develop a statistical description of this relation from which one can infer what the labor force response will be to variations in the particular standard and tax rate chosen. Similarly an experiment might focus on effects on the birth rate which may occur as the cost of children is changed by income maintenance. The intent would be to show not just that the birth rate did or didn't change but how much it would be expected to change at various levels of payment.

To achieve this objective in an experiment an attempt is made to simulate laboratory conditions. Care is taken to gather adequate information on a non-treatment group which would provide some control comparisons. Other characteristics of the subject and their environment are continuously measured so that nonexperimental changes in the subjects' responses attributable to differences in personal characteristics can be isolated. Further, steps are taken to insure that the number of subject observations in both the group receiving the "treatment" and those in the "non-treatment" group, plus the range of variation in variables of interest, are sufficiently large to allow the application of the principles of statistical inference to determine the "significance" of any observed differences in response. The importance of these controls in the experimental situation is the following: they allow one to draw conclusions with a far higher degree of confidence in the probability of those conclusions being correct.

The definition of an experimental project contrasts sharply with that of a demonstration project in that the intent of a demonstration project is simply to show that a particular "treatment" can be administered to a given population and that, when it is, the status of this particular population will be altered in some discernible fashion. No attempt is made to control for the effect of nontreatment variables on the chosen population so that no rigorous generalization of the results to other populations or times, or to slightly altered treatment variables, is possible. A demonstration can be useful in terms of working out the "bugs" in the administration of a particular program or in generating public awareness or acceptance of such a program. An experiment on the other hand is conceptually far more difficult and often more costly but it yields more "powerful information." In short, an income maintenance experiment seeks to provide information which will help the policymaker choose among the numerous options available to him by providing reliable estimates of the individual and social consequences of any particular choice.

2. THE NEED FOR EXPERIMENTATION

The concept of Income Maintenance Experimentation had its origins three or four years ago in the growing interest, both within government and without, in the defects of our current welfare system and the design of alternative methods of income supplementation. Analysis of the various alternatives most widely promoted—ranging from universal children allowances to negative income taxes and wage subsidies—quickly focused on the fact that there was little, if any, hard data on behavioral responses to the various incentives, both favorable and perverse, implicit in any of these schemes. Since many of these so-called "induced" effects of income maintenance policy have potentially huge fiscal or societal effects, it would seem that a sensible long-term program of income maintenance reform would require a sound program of research as its basis. Further, it appeared that given the subtlety of individual behavioral responses to varying incentives, it was impossible to accurately assess many of the most important potential consequence of income maintenance reform either by extropolation from static cross-sectional data or from information gathered from the type of relatively uncontrolled demonstration projects previously attempted. The idea of initiating carefully controlled experimental projects designed to yield statistically reliable data on stated hypotheses was thus conceived.

Among the most important questions requiring exploration through the experimental method are the following:

(*a*) How will proposed programs affect the incentive to work? If standards are raised to the point where some persons on welfare might be almost as well off as persons in unattractive low-paying jobs, will this encourage persons to drop out of the labor force and go on public assistance? On the other hand, if more liberal provisions are made for the retention of earned income while still retaining part of assistance payments, will some persons currently on public assistance be encouraged to enter the labor force or increase their work effort?

(*b*) What interactions will occur with manpower and work-related programs and services including jobs creation and training, day care and transportation services? Will the benefits achieved through a combination of income maintenance and job-related programs be "multiplicative" in the sense that they will be greater than what we would expect from adding together the observed effects of each type of program operating alone?

(*c*) How will proposed programs affect mobility—in particular, will it tend to accelerate, decelerate or reverse the current rural-urban migration pattern?

(*d*) Will family stability be enhanced by changes in income maintenance policies and if so what types of plans and variations within them will serve this purpose best? For instance, if male-headed families are included in the program, will this help to reduce family break-ups and illegitimacy?

(*e*) Will certain types of programs produce an adverse effect on family size—particularly child-oriented allowance systems?

(*f*) Will demand for social services, both public and private, be affected? Will the injection of additional money into a com-

munity of itself promote spontaneous development of private medical, legal and educational services for government-provided services; or will the latter still be required?

(*g*) Will consumption patterns change among low-income families? How high must payments be before families will budget significant amounts of money for more longrun investments in the health, education and general well-being of their families?

(*h*) What will be the general effects on the social and economic life of a community, particularly a small community? Will prices of goods and services change; will community cohesiveness be enhanced; will the location of businesses shift?

A parallel set of questions relates to how the same sort of policies might impact differently on different population groups and different areas—urban *vs.* rural; white *vs.* non-white; female-headed families *vs.* male-headed; aged *vs.* non-aged; persons in families *vs.* unrelated individuals and childless couples.

It is clearly not possible to obtain reliable answers to all these questions in a single experiment. At the same time, experiments are costly and difficult to design and implement. Consequently, the HEW–OEO intention has been to try to keep the number of experiments as small as possible, limiting such projects to a series of well-controlled and carefully designed experiments each of which will be a necessary and integral part of an overall research strategy. Thus each of the experiments discussed below focus on one or more issues of importance, these issues being determined both by their priority in policy making and by their suitability for exploration through the experimental method.

3. RELATIONSHIP OF THE EXPERIMENTS TO THE FAMILY ASSISTANCE PROGRAM

Each of the income maintenance experiments sponsored by HEW and OEO test programs that are consistent with the basic concepts of the Family Assistance Plan. That is, they test programs providing basic income allowances to families (including working poor families) through a work incentive structure (i.e. a tax rate or reduction in benefits less than 100 percent per dollar of earnings). However they all differ substantially from FAP in terms of specific details. For example, all of the experiments test more than one support level and most of those levels are substantially higher than the $2400 support level under FAP. The work incentive feature (or tax rate) is also varied in each of these programs.

Although the experiments have already provided some limited data supportive of the FAP concept, they are not necessary to justify the basic welfare reform proposed by FAP. The FAP proposal responds to the breakdown of the existing welfare system and is based on a simple analysis of the type of problems that caused this breakdown (e.g., the incentives in the current program for family breakup, the current work disincentive of excluding aid to the working poor and the widely divergent benefit levels across the States which produce gross inequities of treatment among equally needy families). No experiment is needed to demonstrate that these inequities should be minimized. The FAP program builds upon analysis of these problems and offers immediate and workable solutions to them.

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While the FAP program is the appropriate answer to the current welfare crisis, it is inevitable that as time goes on, changes to the basic FAP legislation will be proposed by this or subsequent Administrations or by the Congress. Thus the experiments look to the future in the sense that they are designed to provide useful information to the policymakers who will be concerned with such questions as the impact of raising the basic support level, changing the marginal tax rates, expanding program coverage, integration with other in-kind and cash programs, and so forth. The central concern of the experiments, that of work incentives, does not arise in the current version of the Family Assistance Plan given its more modest support level and its work requirement provisions. FAP responds to a set of problems whose immediacy has been well documented. The experiments will be crucial in providing basic information for future changes to FAP.

4. DESCRIPTION AND STATUS OF THE EXPERIMENTS

There are four income maintenance experiments currently funded by HEW and OEO. The New Jersey and rural experiments are sponsored by OEO and the Seattle/Denver and Gary experiments are sponsored by HEW. All of these experiments focus on the controversial problem of work incentive in an income maintenance system. The first two OEO experiments deal almost exclusively with this crucial question and are designed to determine the effects of financial treatments on the work response of male-headed families in both rural and urban areas. Male-headed families are of particular interest since they constitute a large portion of the working poor population that was not covered under previous welfare programs. Thus, if there is indeed any disincentive to work in an income maintenance system, it will be most discernible in the work effort of those working already (i.e., primarily male-headed low income families) who may choose to reduce their work effort if offered a minimum annual income support that may approach their previous net income.

The more complex HEW experiments will focus on different issues of major policy concern in addition to the work incentive question. The Gary Income Maintenance Experiment will test the effects of a negative income tax plan combined with day care and social services on urban black families with particular emphasis on female-headed families. The Seattle Income Maintenance Experiment is designed to test the combined effects of a negative income tax plan with a manpower program, serving both white, black, and Mexican-American, male- and female-headed urban families.

In addition, HEW is funding a limited administrative test of some of the FAP program in Vermont. The Vermont project differs substantially from the four other projects in that it is aimed at solving operational problems of administering the program rather than in measuring the behaviorial response of program recipients. A brief description and status report on each project follows below:

A. The New Jersey Graduated Work Incentive Program

The Office of Economic Opportunity took the lead in the field of income maintenance experimentation in 1968 when it initiated work on the New Jersey Income Maintenance experiment. This experiment

focuses on the question of the work response of male-headed families to a negative income tax type income maintenance program. The project concentrates on the urban poor in five communities. Design of the project was carried out under contract by the Institute of Research on Poverty at the University of Wisconsin with assistance from the Mathematica Corporation of Princeton, New Jersey. The first group of experimental families was enrolled in the project in August of 1968. A preliminary report of the results of this experiment, based on the first year of operation, was made by OEO in February 1970. A second preliminary is expected about April 1972.

B. The Rural Income Maintenance Experiment

The Institute of Research on Poverty (University of Wisconsin) under the sponsorship of OEO is also currently conducting an experiment in two rural areas (in North Carolina and Iowa) to test the work incentive effects of a negative income tax plan on predominantly rural populations. The population in this test will also consist primarily of male-headed families. Families were enrolled into the program in November and December of 1969. A preliminary report on the findings of this project is planned for July 1972, and it will be based on the first two years of operation of the project. A final report is expected a year later.

C. The Gary Income Maintenance Experiment

This experiment sponsored by DHEW will test the effects of a negative income tax plan, combined with day care and social services on black, urban families with particular emphasis on female-headed families who will comprise about 60% of the sample; this particular group is not covered by either of the two OEO experiments. This experiment, like the Seattle experiment will be generally compatible with the New Jersey and rural experiments in terms of the type of income maintenance program to be tested, definitions of family units and income and other basic design criteria. However, each of the HEW experiments will focus on a different issue of major policy concern, in addition to income maintenance financial treatments.

The principal focus of the Gary experiment is on the family work decision and how it is affected by an income maintenance transfer system. The experiment will attempt to measure economic responses, such as labor supply, consumption patterns and investment in human capital, as well as sociological variables such as family functioning, motivation, and asperations. In addition, the project will test the impact of separately administered social services (such as day care, homemaker services, and counseling) in combination with direct cash transfers in order to measure the demand for such services when their provision and acceptance is no longer conditioned upon the receipt of assistance payments. It has been argued that even if a secure basic income floor could be established, there would remain a need for specialized problem-solving services. The magnitude of need has not yet been established, nor has the cost-effectiveness of various service types been determined.

This project is funded by an HEW contract with the State of Indiana Department of Public Welfare. The design and operation of the project is carried by the University of Indiana via a subcontract with

the State Welfare Department. Design of the project began in the fall of 1969. Enrollment of families into the project began in March 1971 and should be completed by the end of June. A preliminary report on project results is planned for the fall of 1973 with a final report to be submitted approximately one year later.

D. The Seattle-Denver Income Maintenance Experiment

This experiment is the most comprehensive of all the urban experiments, serving both white and black families, having either one or two parents present. The experiment is intended to test the combined effect of a negative income tax scheme with a manpower program. Thus, in this particular experiment, the income transfer program itself will be supplemented by one or more manpower programs including (a) job training (b) counseling and vocational guidance services; and (3) day care services for working mothers. The Seattle-Denver experiment includes a population not served to any substantial degree by any of the other experiments, namely one-parent white families, and will uniquely test the interactive effects of income maintenance and manpower programs.

The primary hypothesis to be tested in the Seattle-Denver experiment is that manpower training in combination with a rational system of cash transfers will yield a policy payoff exceeding the sum of the outcomes of the two separate components. The experiment will provide vital information concerning the proper mix of manpower and cash, thereby suggesting the most efficient allocation of scarce government funds in the future. For example, answers shall be sought to such questions as "how much will an additional $400 a year in basic financial support change the work effort of the family, if (a) there is no change in investment in manpower or (b) there is a simultaneous increase in the manpower investment in a family by $200?" The experiment will measure the effects of different combinations of income maintenance support levels and manpower programs by looking at the:

(*a*) Work effort of the household.

(*b*) Productivity of the household as measured by changes in earnings.

(*c*) Investment of the household in training or other education.

(*d*) Changes in attitudes toward the future.

(*e*) Changes in household stability.

While unemployment in Seattle was well below the national average when HEW first negotiated with the State of Washington for the design of the experiment in 1969, the unemployment rate has since risen precipitously to a current level over twice that of the national average.

This situation posed serious problems for the experiment, which is designed to measure labor suply response both singly and in conjunction with manpower counseling and training.

Ideally, one would wish in such an expériment to have a virtually unlimited demand for the services for the experimental population so that any differences in the work effort of these receiving financial and/or manpower treatments, as compared with the control or null treatment group, could be attributed to the incentive effects of these programs. In a situation of low or declining job opportunities, it would be hard to filter out the differential effects of changes in labor supply and demand unless some adequate control were provided through comparable in-

formation gained in a more favorable labor market situation. It therefore became necessary to divide the planned sample between the city of Seattle and another city, as life as possible in terms of the demographic characteristics of its population, but with a relatively high and stable level of labor demand. Denver, Colorado, has been selected as the control for the labor market situation. While this change has caused some disruptions to the project, the overall advantages of this move will be considerable. It will be possible to fulfill the objectives of the original Seattle design, and, at the same time, gain valuable information on the potential effects of income maintenance programs on normal adjustment to the business cycle.

This project is funded by an HEW contract with the State of Washington Department of Public Assistance. The design and operation of the project is carried out by the Stanford Research Institute via a subcontract with the State Department of Public Assistance. Design of the project began in the fall of 1969. Enrollment of families into the project in Seattle began in November 1970 and is expected to be completed by April 1971. Enrollment at the Denver site is anticipated to begin in August 1971. The Seattle/Denver Experiment, like the other three, is designed to run for three years. However, a small portion of the sample (approximately 20%) will continue on the program for two additional years. This extension will serve to verify that the experimental results from the total sample as well as the other three experiments are not unduly biased by the effects of a transitory change in income. A preliminary report of findings of the full sample is expected in the fall of 1973 and a final report approximately one year later.

E. Vermont Pretest Project

Although this project has frequently been referred to as an income maintenance experiment, its focus is actually on planning the implementation of the FAP program rather than on testing how the system works or how it affects the behavior of individuals. While the project was originally conceived as a full scale pretest of the FAP program, its scope is now limited to (a) the development of a detailed plan for Federal administration of the Family Assistance Plan and State supplemental and adult programs, and (b) the development of a model plan for day care under FAP and expansion of day care families throughout the State. A sample survey of potential FAP recipients to obtain baseline information will be conducted to support these planning efforts.

This project is carried out by means of a contract with the State of Vermont. The project began in July 1970. The six projected analytical volumes have been completed and have been submitted to DHEW. These analyses will be used in implementing the FAP program nationwide and are as follows:

Volume I Administrative Structure and Procedures.
Volume II Regulations.
Volume III Accounting Period Implications and Options.
Volume IV Development of the FAP Pretest in Vermont.
Volume V Report on the Baseline Survey and Cost Projections.
Volume VI Evaluation and Experimentation in Child Care.

The data from the baseline survey will provide us with detailed information about the impact of the FAP program upon a very significant portion of the FAP population (rural white working poor families, which constitute the largest single group of the newly eligible population under FAP).

The child care component of the Vermont project involves development of a plan for a model FAP child care system and subsequent implementation of the approved plan which will involve an expansion of existing facilities and services throughout the State. This plan has been completed and the implementation phase has begun. The Vermont 4–C has already taken significant steps toward resource development in conjunction with these planning activities.

5. STATUS REPORT ON FINDINGS FROM THE INCOME MAINTENANCE EXPERIMENTS

To date only one of the experiments has been in operation long enough to report any preliminary results, the New Jersey project. This is because the experiments must operate for at least a two or three year period before one can say with a high degree of certainty that the results observed were not simply distortions in the behavior of the experimental population which resulted from the newness of the project. Since the objective of the experiments is to measure the long-run response of families to an income maintenance program, the families must be able to regard the experimental payment as being secure for a reasonable length of time. Because these projects are intended to be carefully controlled experiments, it is important to limit as much as possible the perception in the minds of the experimental population that they are a special group, since this could very well bias the results. Therefore, it is not in the best interests of the overall experimental effort to make any partial findings generally available before the end of the project.

A. Findings from the New Jersey Experiment

OEO issued a brief initial report of findings from the New Jersey experiment in February 1970, and subsequently a more extensive report of those findings was issued by the Institute for Research on Poverty of the University of Wisconsin in June. Further preliminary results concerning the work effort of participants in the experiment were released by OEO in May 1971. However even the latest findings must be qualified as preliminary in the sense that they are based on only the first year's experience of the total population and 18 months for ½ of the sample. Thus some allowance must be made for the possibility of distortions in behavior of the experiment population produced during the start up phase. A brief summary of the New Jersey findings are:

(*a*) There is no evidence indicating a significant decline in weekly family earnings as a result of the income assistance program.

(*b*) Low income families receiving supplementary benefits tend to reduce borrowing, buy fewer items on credit, and purchase more of such consumer goods as furniture and appliances.

(*c*) The Family Assistance Program, excluding the Day Care Program and Work Training provisions, can be administered

at an annual cost per familiy of between $72 and $96. Similar costs for the current welfare system run between $200 and $300 annually per family.

The more extensive analysis of work effort response released in May 1971, supports the earlier preliminary findings and further refines the data.

The only statistically significant difference in earning that was found between the experimental and control groups was a reduction in the earnings of wives in the yearly sample. However this difference does seem to disappear at the end of the 18 month period. As a result of the average number of workers per family declining, the total number of hours worked per experimental family is slightly less than for the control group.

However, since there are no significant earnings differences between these two groups, the results imply that the experimental families have significantly inceased their average hourly earnings compared to the control group. Indeed, the average family hourly earnings appear to have increased by 20% for experimental subjects as compared to only 8% for the controls.

It is important to note also, that there was no significant differential in the number of hours worked per family among the various income maintenance plans, indicating that the various combinations of tax rates and guarantee levels have not yet affected the number of hours a family works.

There are several plausible explanations for these observations. The availability of a "cushion" in the form of experimental benefits may allow the prime worker the freedom not to accept the first job he can find, but rather to seek one that is more appropriate to his skills and interests and pays a higher wage.

Another view suggests that when a family initially experiences an abrupt increase in income, there will be a tendency to "invest," rather than consume a substantial portion of the increase. Thus we may see an increase in the purchase of durable goods and/or an increase in "human capital" investment in the form of training and/or increased time spent searching for better jobs. Such behavior may account for part of the reduction in hours observed, as well as increased hourly earnings. This approach suggests that labor force participation and hours of work would return toward normal, and hourly earnings would stabilize at a new (higher) level. The hypothesis can only be tested as data covering a longer time span becomes available.

B. Findings from the Other Income Maintenance Experiments

In addition to the New Jersey experiment, there are three other income maintenance experiments, the Rural experiment funded by OEO and the Seattle-Denver and Gary experiments which are funded by DHEW. Since these experiments have been in operation for either just one year or are just beginning, research findings on individual behavioral response will not be available for at least two years. However, several important lessons have been learned in developing designs and administrative structure for these experiments.

The first and most important lesson arises from the fact that HEW experiments explicitly cover the current welfare population and, in so doing, attempt to replace the current layering of welfare and other in-kind benefits by a single integrated income maintenance

program which preserves work incentives and eliminates horizontal inequities and vertical "notches". One lesson of this attempt is that it is impossible to achieve such integration without making some current recipients worse off unless fairly high guarantee levels are established for experimental purposes. For example, in Seattle it was necessary to modify the design structure by allowing rather generous day care allowances for all single-parent families since these are currently available to such families from the welfare department. In Gary, despite the existence of a maximum AFDC payment of $2,100 for a family of four, it was necessary to raise the minimum experimental guarantee to $3,300, and even at that level it will not provide superior benefits to some 30 percent of current welfare families. The anomaly occurs because Indiana welfare payments are at a minimum, not reduced at all for earnings below $2,560. Furthermore, given virtually unlimited work expense allowances, payments are in practice not reduced for some considerable distance beyond that earning level.

Another equally important finding is that certain administrative details can be among the most important determinants of the character and impact of an income maintenance program. Chief among these is the definition of an accounting period for determining eligibility for benefits. For example, the use of an annual accounting period will result in an income maintenance system far different from that which employs a monthly accounting period (which is similar to that being employed in the current welfare system) both in terms of cost, equity and work incentives. A brief analysis of the data obtained from the Seattle Income Maintenance Experiment showed that caseloads may be doubled when one uses a monthly accounting period rather than an annual accounting period.[1] Of a random sample of 100 male-headed families in Seattle with incomes below $15,000 annually, only 19% were eligible for payments on the basis of an annual accounting period, whereas with a monthly accounting period another 23% became eligible.

Furthermore, families that are similarly situated in terms of income over a short period (such as a month) may have quite disparate incomes over a long period (such as a year) and vice versa. Take for example two four person families with total annual earned income of $4,320 (the FAP breakeven point) but one family earns it over an entire 12 months period while the other earns all of it during a six month period. Under an annual accounting period neither family would receive any benefit payments since both are over the FAP breakeven point. However under a monthly accounting system the former family would still receive no payments but the latter family would receive $800 worth of benefits as a result of the way in which its earned income was distributed. Thus the monthly accounting system will not treat families who earned the same annual income in an equitable manner, if their incomes are unevenly distributed.

The significance of the choice of an accounting period on cost, caseload, and equity, as illustrated above, was brought out during the technical development of the income maintenance projects. This pre-

[1] The accounting period systems noted here are but two of a number of differing accounting period systems which can be varied to achieve different program objectives.

liminary information has already been useful to the Ways and Means Committee in their selection of an accounting period system for the welfare reform bill recently reported out by the Committee.

Another almost as important lesson learned both in New Jersey and from analysis of the three-year baseline data collected in Seattle is that given the variability of income flows among the poor, regular reporting of income and prompt adjustment of payments is essential to keep program costs within tolerable bounds.

6. PROGRAM CHARACTERISTICS OF THE 4 INCOME MAINTENANCE EXPERIMENTS

	New Jersey	Rural (Iowa, North Carolina)	Seattle/Denver	Gary
Guarantee levels (1971) (family of 4).	$1,830 [1] $2,903 $3,889 $4,839	$1,938 [1] $2,907 $3,876 $4,844	$3,800 $4,800 $5,600	$3,300. $4,300.
Offset tax rates	30 percent 50 percent 70 percent	30 percent 50 percent 70 percent	50 percent 70 percent 70 percent decline [2] 80 percent decline [3]	40 percent. 60 percent.
Sample size by experimental treatments:				
Experimental	724—60 percent	374—46 percent	3,850—76 percent	1,287—76 percent.
Financial only	624—60 percent	374—46 percent	1,000—20 percent	466—26 percent.
Financial and manpower	NA	NA	1,850—36 percent	NA.
Manpower only	NA	NA	1,000—20 percent	NA.
Financial and social services.	NA	NA	NA	466—26 percent.
Social services only	NA	NA	NA	355—20 percent.
Control	489—40 percent	435—54 percent	1,250—24 percent	495—28 percent.
Original sample size by site	Trenton 197 Patterson-Passaic 452. Jersey City 390 Scranton 318	Iowa 308 North Carolina 501	Seattle 2,100 Denver 3,000	1,782.
Sample characteristics	Nonaged male-headed families and couples, black, white, and Puerto Rican.	Predominantly nonaged male-headed families, and couples and unrelated individuals some female-headed and aged families, couples and unrelated individuals, black and white.	Nonaged male- and female-headed families and couples, black, white and Mexican-American.	Nonaged male- and female-headed families, black.
Sex of family head	Male, 1,359—100 percent.	Male, 587—73 percent. Female, 108—13 percent. Over 114—14	Male (approximate) —60 percent. Female-headed families—40 percent.	Male (approximate) 792—40 percent. Female, 1,190—60 percent.
Special treatments	Accounting period variation.	Accounting period variation.	Manpower services	Day care and social services.

[1] These are the projected guarantee levels for 1971. Actual levels will be set in July 1971 on the basis of the National Consumer Index's cost of living increase. Original levels for New Jersey (1968), $1,650, $2,475, $3,300, and $4,125 Original levels for rural (1969), $1,741, $2,611, $3,482, and $4,352.

[2] Tax rate declines by 5 percent for each additional $1,000 of earned income (e.g. the 1st $1,000 of earned income is taxed at a 70 percent rate the 2d $1,000 of earned income is taxed at a 65 percent rate, and so on.)

[3] Similar to procedure identified in footnote 2 above.

APPENDIX H

Federal Employment of Certain State and Local Employees in the Administration of Programs Created by H.R. 1

(Proposed Amendment Reflecting the Views of the Department of Health, Education, and Welfare and the U.S. Civil Service Commission)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
OFFICE OF THE SECRETARY,
Washington, D.C., January 28, 1972.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance, U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: On July 27, 1971, in the course of his testimony before your Committee on H.R. 1, Secretary Richardson advised that the Federal Government would expect to offer to many employees of State and local public assistance programs appropriate jobs in the administration of Federal assistance programs which the pending bill would create. He pointed out that much work remained to be done to resolve the problems that this would entail.

The work has now been completed and is reflected in the enclosed proposed amendment to H.R. 1, which is explained in the sectional summary which is also annexed. The amendment reflects the joint view of this Department and the United States Civil Service Commission and was drafted in extensive consultation with interested Federal agencies.

Essentially, the amendment would authorize the appointment to the Federal civil service, without regard to the provisions of title 5, United States Code, of categories of State and local employees who would be affected by the enactment of H.R. 1. It would also provide them, upon their appointment, with certain Federal benefits in consideration of their State or local service.

We believe the provisions of the amendment are reasonable and equitable and would provide appropriate protection for those employees who would be appointed to the Federal service, in light of the complexities, costs, and equities involved in transferring personnel from more than 1,000 State and local jurisdictions, each with its own pay, retirement, and personnel system.

We are advised by the Office of Management and Budget that the enactment of the enclosed amendment to H.R. 1 would be consistent with the Administration's objectives.

Sincerely yours,

STEPHEN KURZMAN,
Assistant Secretary for Legislation.

Summary of Proposed Amendments to Section 507 of H.R. 1 in the Senate

Paragraph (1), Employee eligibility for appointment.*—Paragraph (1) would authorize the appointment to positions in the competitive service of the United States, without regard to the provisions of title 5, United States Code, of certain State and local employees who, within 90 days of their appointment (unless such period is ex-

*References to numbered paragraphs are to paragraphs of a new subsection (b) which this amendment would add to section 507 of H.R. 1.

tended by the Civil Service Commission), are engaged in the performance of functions which the Federal Government will assume under H.R. 1. To be eligible for such appointment, the individual must be or have been an employee of a State or local government who is compensated in whole or in part under the federally-assisted program of grants to States for old-age assistance, for aid to families with dependent children, for aid to the blind, for aid to the permanently and totally disabled, for aid to these groups under the combined program assisted under title XVI of the Social Security Act, or for medical assistance under title XIX of the Social Security Act. In addition, the individual's State or local duties must directly relate to determining the eligibility of persons for assistance payments (that is, to performing so-called "income maintenance functions") or the making of such payments (other than medical assistance payments), or must be in support of such determinations or payments. If the latter, however, eligibility for appointment depends upon a finding by the appointing authority that the enactment of H.R. 1 threatens the individual with a loss of employment, or a loss or reduction of pay or grade.

The authority to make these appointments under H.R. 1 would begin with the date of its enactment and (unless extended by the Civil Service Commission) would expire, with respect to the eligibility of any individual for appointment, 90 days after H.R. 1 terminates Federal assistance to the State or local program in which he is employed (or, if the State has entered into an agreement under section 507(a) to administer a program enacted by H.R. 1, 90 days after the agreement expires).

An individual appointed under this authority may be paid travel expenses to his new duty station.

Paragraph (2), Conditions of appointment in special cases.—Paragraph (2) would provide that if an individual held a career or career-conditional appointment under a merit system of a State or political subdivision in the employment that qualified him for appointment under the amendment, he would be eligible for a career or career-conditional appointment in the competitive service without regard to any requirements for the completion of a prescribed period of time in the service of the State or political subdivision.

The paragraph would also permit the appointment of a noncitizen employee who, prior to his appointment, had filed a petition for naturalization. A non-citizen appointee could be retained for up to 5 years prior to his acquisition of citizenship and, after acquisition of citizenship, would become eligible for competitive status.

Paragraph (3), Compensation of appointees.—Paragraph (3) would set the basic pay of an appointee to a new position at the rate he received when employed in his former State or local position. If there is no such rate in the applicable grade or under the applicable prevailing wage schedule, his basic pay would be set at the rate which least exceeds his former rate. If an individual's former rate cannot be equaled or exceeded in or under the applicable grade or schedule, the paragraph would preserve his former rate (but not above the maximum rate for GS–18) for a period of 2 years from the date of his appointment. Thereafter his rate would be reduced to the top of the applicable grade or schedule in or under which he is serving.

An appointee's service, for purposes of periodic step-increases, would be computed from the date of his appointment under paragraph (1).

Paragraph (4), Credit for prior service.—For the purpose of determining the length of an appointee's service under Civil Service Commission regulations pertaining to career tenure, probationary period, rate of annual leave accrual, group life or health insurance, and retention credit in reductions-in-force, paragraph (4) would include the length of the appointee's service with the State or political subdivision by which he was employed on the last day prior to his Federal appointment.

Paragraph (5) Sick Leave.—An individual appointed under the amendment would, under paragraph (4), be credited with the balance of his State or local sick leave outstanding (and for which he has not been compensated) upon his Federal appointment. However, this sick leave balance would not be available to increase his Federal retirement annuity and, unlike Federal sick leave, would not be re-credited to him upon his reemployment in the civil service after a separation therefrom.

Paragraph (6), Retirement annuity.—Subsections (a), (b), (c), and (d) of 5 U.S.C. 8339 establish the formulas for the computation of the annuity of a Federal retiree, before the reduction of any such annuity on account of circumstances described below. In the case of an individual who has been appointed under the amendment, and who subsequently becomes eligible for civil service retirement, paragraph (6) would increase his Federal annuity, as computed under the cited subsections of section 8339, by $10 for each full month of service credited for retirement annuity purposes by the State or political subdivision by which the individual was employed immediately prior to his Federal appointment under the amendment. The annuity, as so increased, would be subject to the same reductions and cited subsections. Thus, for example, as so increased it could nevertheless not exceed 80 per cent of the "average pay" of an employee (5 U.S.C. 8339(e)). Similarly, a survivor annuity would be computed by first establishing an amount under section 8339(a), (b), or (d), whichever may apply, increasing that amount as provided by paragraph (6) of the amendment, but limiting the annuity, in accordance with 5 U.S.C. 8341, by 80 per cent of the employee's average pay, and then applying the appropriate survivor formula.

An individual appointed under the amendment would not be eligible for this increase in his Federal annuity if he qualifies for a State or local retirement annuity on account of his State or local service, or if he has had less than 24 months of State or local service creditable for State or local retirement purposes.

Proposed Amendments to H.R. 1 in the Senate

On page 412, after line 12, insert a subsection heading as follows: "State Agreement to Administer Programs"

On page 412, line 13, insert "(a)" after "507.".

On page 413, after line 10, insert the following new subsection:

Federal Employment of Certain State and Local Employees

EMPLOYEE ELIGIBILITY FOR APPOINTMENT

(b)(1)(A) During the period described in subparagraph (C) of this paragraph, a department or agency of the United States may ap-

point to perform its authorized functions under this Act any individual described in subparagraph (B) of this paragraph to a position in the competitive service of the United States, without regard to the provisions of title 5, United States Code, otherwise governing such appointment, except that an appointment to a position in grade GS–16, GS–17, or GS–18 shall not be made without the approval of the Civil Service Commission. Except as this subsection may otherwise provide, an appointment hereunder shall be subject to regulations of the Civil Service Commission pertaining to the appointment of incumbents of positions brought into the competitive service.

(B) An individual is eligible for appointment under subparagraph (A) if, within the ninety-day period preceding the date of that appointment—

(i) he was an employee of a State or any political subdivision of a State who was compensated in whole or in part from sums paid under title I, X, XIV, XVI, or XIX, or part A of title IV, of the Social Security Act, or under an agreement entered into in accordance with subsection (a); and

(ii) he was the incumbent of a position all or a major part of the duties of which (I) were directly related to determining on behalf of the State or political subdivision the eligibility of persons for assistance payments from sums paid to the State under such provisions of the Social Security Act or such agreement, or directly related to the making of such assistance payments (other than medical assistance payments) or (II) were in support of such determinations or the making of such assistance payments (other than medical assistance payments) and the department or agency making the appointment finds that the individual was or will be separated from employment with the State or political subdivision, or has suffered or will suffer a loss or reduction of pay or grade in that employment, because of the enactment of this Act.

An individual who meets the requirements of the preceding sentence because he is or was the incumbent of a position all or a major part of the duties of which are directly related to, or in support of, the determination of eligibility of persons for medical assistance payments shall, notwithstanding the preceding sentence, be ineligible for appointment under subparagraph (A) unless, prior to his appointment, the State by which he is or was employed has entered into an agreement with the Secretary of Health, Education, and Welfare under section 1124 of the Social Security Act (as added by section 505 of this Act).

(C) (i) In the case of an individual described in subparagraph (B), the period referred to in subparagraph (A) shall begin with the date of enactment of this Act and end, except as provided by clause (ii) of this subparagraph, with the close of the ninetieth day after the amendments and repeals to which section 501 is applicable become effective with respect to the program or part of a program in which the individual is employed.

(ii) In the case of an individual who is employed in a program or part of a program administered by a State under an agreement entered into under subsection (a), the period established by clause (i) shall end with the close of the ninetieth day after the date upon which the agreement expires.

(D) The Civil Service Commission may extend any period established by this paragraph (1) insofar as necessary to complete the transition for which subsection (a) provides.

(E) An individual appointed under subparagraph (A) who is required by that appointment to change his place of employment may be paid, in accordance with regulations of the appointing agency prescribing criteria for payment, such travel, transportation, and related expenses and allowances (or any portion thereof) as would be provided under subchapter II of chapter 57 of title 5, United States Code, in the case of an employee of the United States transferred in the interest of the Government.

CONDITIONS OF APPOINTMENT IN SPECIAL CASES

(2)(A) Except as provided by subparagraph (B) of this paragraph, an individual appointed under paragraph (1) (hereinafter in this subsection referred to as the "appointee") may receive, at such time as Civil Service Commission regulations may provide, a career or career-conditional appointment to the competitive service without regard to the duration of his service immediately prior to his appointment if, on the last day of his employment described in paragraph (1)(B) prior to that appointment, he held a status comparable to that of a career or career-conditional employee under a merit system of a State or political subdivision of a State.

(B) An individual who is not a citizen of the United States may be appointed under paragraph (1) and retained without competitive status for not more than 5 years if, prior to his appointment, he has filed a petition for naturalization under section 334 of the Immigration and Nationality Act. If he acquires citizenship within the 5-year period, he shall thereafter become eligible to acquire competitive status subject to applicable Civil Service Commission regulations.

COMPENSATION OF APPOINTEES

(3)(A)(i) Notwithstanding 5 U.S.C. 5333 (pertaining to new appointments) and 5 U.S.C. 5334 (pertaining to pay on change of position), the basic pay of an appointee shall be at that rate of the grade of his position, or of a prevailing wage schedule if applicable, which is equal to his rate of compensation from a State or political subdivision of a State on the last day of the employment described in paragraph (1)(B) prior to his appointment under paragraph (1), or, if there is no such rate, at that rate which exceeds his former rate by the least amount.

(ii) If there is no rate within the grade of his position, or under a prevailing wage schedule if applicable, which equals or exceeds his former rate, he shall receive basic pay at his former rate (but not to exceed the rate for GS–18 as limited by 5 U.S.C. 5308) for a period of 2 years from the date of his appointment, subject to conditions equivalent to those set forth in clauses (A), (B), and (C) of 5 U.S.C. 5337(a). If such equivalent conditions continue to obtain at the end of that 2-year period, the rate of basic pay of the appointee shall be reduced to the maximum rate prescribed for the grade of his position by 5 U.S.C. 5332, or by prevailing wage schedule applicable to it.

(B) The period of service required for an appointee to qualify for the benefits of 5 U.S.C. 5335 (pertaining to periodic step-increases), or for comparable benefits under an applicable prevailing wage schedule, shall be computed from the date of his appointment under paragraph (1).

CREDIT FOR PRIOR SERVICE

(4) In determining the length of an appointee's service to be credited for purposes of Civil Service Commission regulations pertaining to career tenure, probationary period, rate of annual leave accrual, group life or health insurance, and retention credit in reductions-in-force, credit shall be given for service with the State or political subdivision of the State by which the appointee was employed on the last day of his employment described in paragraph (1)(B) prior to his appointment under paragraph (1).

SICK LEAVE

(5)(A) Subject to paragraph (B) of this paragraph, an appointee shall be credited with sick leave equal to the balance of sick leave outstanding, in the service of the State or political subdivision by which the appointee was employed, on the last day of his employment described in paragraph (1)(B) prior to his appointment under paragraph (1), except if he has been compensated for that sick leave, or if it has been applied so as to increase the actuarial value of any vested interest of the employee in a retirement system of that State or political subdivision.

(B) Sick leave credited under subparagraph (A) shall not be credited as unused sick leave for purposes of 5 U.S.C. 8339(m) (pertaining to computation of annuity), and shall be available for use as sick leave by an appointee only after he has exhausted any accruals of sick leave under 5 U.S.C. 6307. An appointee who is separated from the Federal civil service with a balance of sick leave credited under subparagraph (A) shall not, during any subsequent period of Federal civil service employment, be recredited with any portion of that balance.

RETIREMENT ANNUITY

(6) The annuity, computed under subsection (a), (b), (c), or (d) of section 8339 of title 5, United States Code, of an appointee eligible therefor shall be increased by $10 for each full month of service credited for retirement annuity purposes, by the State or political subdivision by which the appointee was employed, on the last day of his employment described in paragraph (1)(B) prior to his appointment under paragraph (1), except if (A) the appointee has qualified for or is eligible to qualify for an annuity or other payment on account of retirement (for reasons of age or disability) from such State or political subdivision in consideration of such service, or (B) the appointee is credited for retirement annuity purposes, by such State or political subdivision, with less than 24 full months of such service. The term "annuity" as used in the remainder of section 8339, and the other sections of chapter 83 of title 5, United States Code, to apply to the annuity of an appointee entitled to the increased annuity provided by the preceding sentence, or that of his survivors, shall be deemed to describe an annuity as so increased.

APPENDIX I

Department of Health, Education, and Welfare Status Report on Implementation of Recently Enacted New York State Work Related Requirements for Welfare Recipients

(Material Requested by Senator Abraham Ribicoff on July 29, 1971, During Hearings on H.R. 1)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., November 18, 1971.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed is a status report on implementation of the recently enacted New York State work related requirements for welfare recipients, prepared in response to a request made during our August testimony on the Welfare Reform proposals.

The objectives of New York State's work related requirements are similar to the workfare objectives in the Administration's reform proposal. They are also relevant to programs being operated under current law. I therefore asked Richard P. Nathan, Deputy Under Secretary for Welfare Reform Planning, and John Twiname, SRS Administrator, to review the New York State programs personally.

The enclosed report was based on a preliminary survey. It does provide some indications of how the program is working but data-gathering has not yet been refined sufficiently at this early date to generate dependable information.

Department of Health, Education, and Welfare staff are now working with the Department of Labor to prepare a more thorough study. If you have specific questions which you wish to pursue, please let me know and we will include them.

Sincerely yours,

JOHN G. VENEMAN, *Under Secretary.*

	Grantee	OTG	Number
Sec. I.			
1. Total persons required to report to NYSES			48,609
A. Applicants			
B. Recipients			
2. Total persons who failed to report to NYSES			8,108
A. Applicants			
B. Recipients			
Sec. II.			
1. Total persons referred for job or training			15,162
A. Job			14,035
B. Training			1,127
2. Total persons placed			2,361
A. Hired			1,861
B. Accepted for training			500
3. Total persons who failed to comply (sum of A to D below)			11,899
A. Failed to report to NYSES			8,108
B. Refused job or training referral			2,801
C. Failed to report for work or training			938
D. Failed to continue employment or training	43	9	52
4. Disposition of failed-to-comply cases in No. 3 above (sum of A to C below)			11,899
A. Case closed			3,829
(1) Failed to comply (H.R. single cases)	2,440		2,440
(2) Fully employed	1,089	300	1,389
B. Employable removed from grant	1,231	189	1,420
C. Assistance continued			6,634
(1) Change of employability status (sum of totals (a) to (d) below)			3,159
(a) Disruption of child care			
(b) Fully employed			
(c) Significant illness			
(d) Other (specify)			
(2) Temporary illness			878
(3) Other (specify)			2,597
D. Applications denied or withdrawn	11	5	16
Sec. III. Total net budget reduction (60 upstate districts excludes Erie, Warren, and Suffolk)			$251,122.91

Note: Monroe County not available; estimated. Some New York City subtotals, estimated. Erie not available, estimated.

INSTRUCTIONS FOR COMPLETING DSS-2198

SECTION I

Part	Source
1-A and 1-B	Employment Register.
2-A and 2-B	ES-28 Service to Social Services Clients.
Grantee	
OTG	DSS-1653 Referral to N.Y.S.E.S.

SECTION II

1-A and 1-B	ES-28.
2-A and 2-B	ES-28.
3 and 4	DSS-2192 Analysis of Employment Referral Actions.

SECTION III

DSS-2192 Net difference from the budget increase and decrease columns.

JULY 1971 STATE LABOR DEPARTMENT FIGURES ON EMPLOYABLE WELFARE RECIPIENTS WHO REPORTED TO DIVISION OF EMPLOYMENT OFFICES TO PICK UP THEIR ASSISTANCE CHECKS

	Total		New York City		Upstate	
	Number	Percent	Number	Percent	Number	Percent
Individuals reporting	42,654	100.0	18,930	100.0	23,724	100.0
"Unemployable" (unverified)	14,610	34.3	9,189	48.5	5,421	22.8
Already in training programs	4,587	10.8	3,362	17.8	1,225	5.2
Available for work	23,457	54.9	6,379	33.7	17,078	72.0
Available for work	23,457	100.0	6,379	100.0	17,078	100.0
Refused any service	1,323	5.7	374	5.9	949	5.5
Refused referral to employment	2,564	10.9	482	7.5	2,082	12.2
No job openings	6,922	29.5	3,102	48.6	3,820	22.4
Referred to job	12,648	53.9	2,421	38.0	10,277	59.9
Referred to job	12,648	100.0	2,421	100.0	10,277	100.0
Failed to report to employer	1,780	14.1	257	10.6	1,523	14.9
Refused job	337	2.6	76.	3.1	261	2.6
Failed to begin work	173	1.4	44	1.8	129	1.3
Placed	1,537	12.2	708	29.2	829	8.1
Not hired	3,928	31.1	547	22.6	3,381	33.1
Verification of result of referral pending	4,893	38.6	789	32.7	4,104	40.0

STATUS REPORT ON IMPLEMENTATION OF NEW YORK STATE WORK RELATED REQUIREMENTS

(Report Based Upon Analysis by Region II DHEW Staff With Participation and Concurrence by Regional DOL Staff)

PURPOSE OF REPORT

This report, compiled for John Twiname, Administrator, Social and Rehabilitation Service (SRS), is a review of the New York State work related requirements which became effective July 1, 1971. The field survey was made in September, covering the first two months of operation of this program. At question is what the evidence now available can provide as a basis for evaluation of the New York program.

SUMMARY

We are impressed by the continuing joint efforts of the two State agencies to effect smooth implementation of this new program. This preliminary survey of implementation of the New York legislation shows that there are a number of key areas which require more intensive and detailed study before final conclu-

sions can be drawn. These areas are discussed below. After six months of operation, more complete data will be available for analysis and "start-up" administrative problems should have been reduced to minimal effect.

A joint DHEW-DOL in-depth study is being planned to examine more fully the overall consequences of operation of the new Work Requirements in New York.

BACKGROUND

The 1971 New York State Legislature amended the State social services law to renew and expand emphasis on work by: redefining employability, providing that unemployed employable recipients pick up semi-monthly checks in person at State Employment Service offices, and providing for establishment of public works projects to which unemployed employable Home Relief (HR) recipients are to be assigned.

Effective July 1, 1971, under the statute, as interpreted, an individual who "willfully" fails to register with and report regularly to the State Employment Service, or take employment in which he is "able to engage" shall be ineligible for assistance for a minimum of thirty days.

Any recipient shall be deemed employable unless rendered unable to work by:

". . . illness or significant and substantial incapacitation, either mental or physical, . . . ; advanced age; full-time attendance at school in the case of minors, . . .; full-time, satisfactory participation in an approved program of vocational training or rehabilitation; the need of such person to provide full-time care for other members of such person's household who are wholly incapacitated, or who are children, and for whom required care is not otherwise reasonably available, notwithstanding diligent efforts by such person and the appropriate social services department to obtain others to provide such care. A person assigned to and participating in a public works project . . . shall be deemed employable but not employed."

The statute further provides that:

"Every employable recipient of public assistance or person who is deemed not to be employable by reason of full-time satisfactory participation in an approved program of vocational training or rehabilitation shall receive his public assistance grant and allowance in person from the division of employment of the state department of labor. . . ."

Commissioners of local Social Services Departments are also required to provide for establishment of Public Works Projects and for assignment of employable AFDC and HR recipients to these projects if other employment is unavailable. This amendment was interpreted by the State to apply only to Home Relief after receiving Federal policy interpretation. Since participation in Public Works Projects is limited to Home Relief, no Federal funds are involved and no Federal plan amendment is required for this portion of the State's overall Work Requirements.

The referral to Employment Service offices and the check pickup requirements, however, do apply to recipients of the Federally aided AFDC program.

In mid-June the New York Department of Social Services issued basic instructions for implementation effective July 1. This was done without submitting any State Plan amendment to SRS. In effect, therefore, New York is not currently following its approved State Plan for AFDC and thus DHEW has not had an opportunity to review its plan or operation under established procedures.

The requirements for routine reporting and check pick-up at Employment Service offices have been challenged in the U.S. District Court for the Western District of New York in the matter of Dublino v. Wyman. The Court has granted relief to individual plaintiffs on the grounds that the reporting requirement placed undue burden on them. The Court also advised it was prepared to grant immediate relief to other individuals similarly situated.

METHODOLOGY FOR THIS REPORT

This report is based on discussion with selected State Department of Social Services and State Department of Labor staff; review of policies, procedures and statistics; joint DHEW-DOL visits to two Employment Service offices and to two Social Service Centers in New York City; similar visits to two up-State counties; discussion with New York City staff and a site visit to one Public Works Project in New York City; discussion with representatives of recipient groups; and reports of monitoring activity by the Community Council of greater New York. It is not based on statistical sampling techniques. In addition, these early data and observations are colored by inevitable "start-up" problems.

REFERRAL TO EMPLOYMENT SERVICE FOR INTERVIEW AND CHECK PICK-UP

General Observations on Initial Procedures

Unemployed employable recipients of AFDC and HR, aged 16–64, as well as grantees participating in approved training or rehabilitation projects, report twice monthly to an Employment Service office for employment interviews and job referral, or in the case of persons in training programs, for review of progress. Assistance checks are delivered during these visits. Social Services agencies are responsible for determining employability and making referrals to the State Employment Service.

These new requirements have created major increases in Employment Service workload without additional Federal funds. A transfer of State funds from the Social Service Department to the Employment Service was made to meet the cost of check distribution. The State has requested additional funds from the United States Department of Labor. Budget limitations have also precluded expansion of social services staff.

When legislation was enacted on April 7, 1971, the State Departments of Social Services and Labor began joint development of policies and procedures which entailed substantial modification of existing operations of both Departments. Basic instructions were issued by the Department of Social Services in mid-June. Time pressures made it impossible to field review proposed procedures or to orient recipients to these procedures, or to prepare staff adequately to administer them. It also meant that July referrals were based on caseload review rather than interviews with potentially employable recipients.

Due in part to the inadequate planning time considerable administrative errors occurred and it appears that some unemployable individuals were referred. In New York City, the mechanical process of removing persons from the system required in excess of two weeks. Further, in New York City, where individuals must be routed to specialized State Employment Service offices, depending on employment history, many individuals were routed to the wrong Employment Service Center. However, at the time of site visits the process observed in Employment Service offices and Social Services Centers was an orderly one.

Since the reporting system was also new, both agencies consider July statistical reports incomplete. (See Attachments A and B for official figures on July operation released by the State Department of Social Services and the State Department of Labor).

In view of the discrepancies the two agencies are now in process of attempting to reconcile their reporting systems. August figures from the two State agencies do not differ significantly from those for July. Although there are still discrepancies between the State Employment Service reports and those from the State Department of Social Services, the two agencies have plans to issue joint reports in the future which will force resolution of these differences. More effective evaluation will be possible at such time as consolidated reports become available.

Figures in the following section should be understood to contain some inaccuracy due to these reporting problems.

Statistical Results to Date

The New York State Department of Social Services has reported (Attachment A) that in July 48,609 persons were required to report at the Employment Service and pick up checks. The New York State Employment Service has reported (Attachment B) that for the same period 42,654 recipients did report. Noting the discrepancies between State Employment Service and Department of Social Services figures, it appears that 6,000 of those required to report did not. There are no figures to show how many of these were closed or reduced.[1] In the joint agency reporting an effort will be made to identify the number of cases that are closed or reduced.

Of those who did report, the State Employment Service figures show that approximately 30,000 either would not or, for various reasons, could not be referred, leaving about 12,700 who were referred to jobs.

Approximately 1,500 of these were known to have been placed in employment with the balance either pending verification or not placed for a variety of reasons.

A number of key questions about the program require further evaluation, either

[1] A reduction generally occurs when one member of an eligible family fails to comply with the requirements so that the family's assistance check is reduced by the amount allotted to that person but continues in the amount qualified for by other members of the family.

because data have not been collected or because insufficient operating time has elapsed to generate such data. For example:

(*a*) How many referrals involved AFDC? AFDC–UF? HR? The State has suggested that most July referrals involved HR and AFDC–UF. Site visits appeared to confirm this.

(*b*) How many grant reductions or closures would have occurred normally? By contrast with the figures above, New York City, for the year ending March 1971, closed an average of 5,101 HR cases monthly (about 7.6% of the total caseload): 560 because of emloyment; 1,382 because recipients could not be located; the remainder for other reasons.

(*c*) What kind of jobs were people referred to?

(*d*) For persons whose assistance was terminated or reduced because they were fully employed, how long had they been working?

(*e*) Were benefits reduced or discontinued in error when the recipient had justifiable reason for failing to report refusing employment, or otherwise failing to comply? A related question involves evaluating the system used for prompt appeals and fail hearings.

Other Specific Observations

There are a number of other study areas suggested by the tentative findings of this survey which are important to a complete evaluation and should be carefully analyzed through a more thorough study:

(*a*) *Effect of Delayed Receipt*

Delay in receipt of assistance whenever an employable person fails to pick up his check, for whatever reason, is inherent in the system. In New York City, five days is now the minimum time for return of these checks to the appropriate Social Service Center for follow-up.

Where changes in employability status occur, the State must make an effort to reduce delays in transferring recipients to the conventional payment system.

(*b*) *Transportation Costs*

Special transportation costs for required reporting to the State Employment Service or employment interviews are not provided. The Assistance Standard contains a general transportation allowance of approximately $1.50–$1.70 per person per month. This does not include the recently enacted 10% reduction. Steps are being taken to provide transportation for job interviews with employers, but not for regular reporting to the State Employment Service.

In New York City the minimum cost of two visits per month to the Employment Service is $1.20 by subway unless the person lives within walking distance. Up-State, many areas have little or no public transportation available and there have been some reports of extreme cases such as the necessity for using taxis for long distance or bus schedules requiring an entire day in transit. However, the actual percentage of cases in which such problems occur has not been confirmed (although assumed to be small), nor have any remedial steps been cited which may have already been undertaken.

(*c*) *Day Care*

There is some evidence that lack of day care resources properly coordinated with working hours may limit AFDC referrals. This may be one area of possible improvement in the system. A potentially more serious day care problem may lie in the fact that AFDC recipients are to be classified employable unless, after "diligent" search by the mother and Social Services staff, care cannot be arranged. Criteria as to what constitutes "diligent" search are unclear. Currently, this requirement appears to be applied more rigorously by some local agencies than others. There are reports that in some up-State communities, AFDC recipients are referred as employable without adequate prior child care arrangements. Further, State agency efforts should be undertaking to achieve maximum program uniformity between referring offices.

(*d*) *Effect of Late Payments*

Appointments for reporting are geared to the last two digits of the case number. Few recipients receive a check on the first of the month when rents are due. New York City picks up penalties for late payments in public housing.

Some recipients receive their second check after the cut-off for purchase of food stamps. The State Department of Social Services states that resolution of this problem will require modification of some existing contracts by the banks

and local Service Districts, and the cooperation of USDA in relaxing existing reporting dates.

(e) WIN Participants

Since the Work and Training component of WIN is administered by the Employment Service assessment of participant progress is an ongoing State Employment Service responsibility. It appears that in practice the purpose of the automatic semi-monthly visit may be limited to check pick-up for WIN participants. The content of interviews with participants in other training and rehabilitation programs is not yet clear. The State agencies involved intend to request reconsideration of this provision by the 1972 legislature.

(f) Potential Recipient Problems

Some up-State participants reported problems, with emphasis on transportation and child-care. Some claimed inadequate prior notice neither of intended action or of right to fair hearing. The New York City spokesman emphasized some adverse effects upon recipients, due the newness and complexity of the system. He also reported that a serious problem could develop because personal representatives are not permitted to accompany recipients to client-counselor interviews.

PUBLIC WORKS PROJECT

General Observations

Separate amendments, effective July 1, 1971, mandate the establishment of Public Works Projects in HR and AFDC. As discussed earlier, implementation is limited to HR. The legislation states that persons placed on public works projects "will not be used to replace, or to perform any work ordinarily and actually performed by regular employees . . ."

The HR amendment does not specify the kinds of jobs to be deveolped. By regulation, they are expected to: "(1) maintain or develop adequate work habits; (2) maintain or improve existing skills; or (3) develop new skills." At the time of the Survey, guidelines had not yet been issued to potential sponsors by State agencies to insure maintenance or development of work habits and/or work skills.

Necessary medical examination, transportation, and lunches are provided by the State Department of Social Services. Sponsors are required to provide uniforms and any special equipment.

Commissioners of local Social Service Districts may administer projects directly or by contract with the State Department of Labor. All Social Service Districts have elected direct administration. Thus, the State Employment Service is involved in referral to other employment and in check delivery but not in development of projects or assignment of HR recipients to such projects.

New York City

The New York City Public Works program began operation on July 27, 1971. At the time of the discussion with City officials, a Task Force had developed approximately 9,000 public agency job possibilities, with potential expansion to 13,000 by September.

Unemployed HR recipients are to be assigned to projects after 30 days if other employment is not available. Some 20% (3,047) of employable HR recipients who had not been accepted for employment had already been referred at the time of the survey. Reports had been received on 1,500 of these, showing that about 1,200 of the 1,500 were at work on Public Works Projects. Reports on the balance of the 3,047 referrals were not yet available. The Agency expected to have a total of 7,000 jobs filled by October.

The work requirement averaged 4.1 days per 10-day period. Actual time depends upon the size of grant and the wage scale. Work is rated as unskilled (training at $2.00 per hour); semi-skilled (entry level at $3.00 per hour); or skilled (experienced level at $4.00 per hour).

To-date, referrals have been selective. The reaction of sponsors was considered generally positive. Participants were reported to be capable workers, motivated and interested in full-time employment. The Department of Social Services did foresee problems in placing less work-ready individuals. Both Department of Social Services officials and program sponsors believe that jobs are the key to a successful program. Unless adequate numbers of private sector jobs are available, the expectation of placement in regular, full-time employment might not be realized, and individuals could continue indefinitely in a Public Works Project.