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2d Session }

COMMITTEE PRINT

H.R. 16311  
THE FAMILY ASSISTANCE  
ACT OF 1970

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REVISED AND RESUBMITTED  
TO THE  
COMMITTEE ON FINANCE  
BY THE  
ADMINISTRATION

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COMMITTEE ON FINANCE  
UNITED STATES SENATE  
RUSSELL B. LONG, *Chairman*



JUNE 1970

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## INTRODUCTION

On April 29, 30 and May 1, the Committee on Finance began its public hearings for the purpose of receiving Administration testimony on H.R. 16311, the Family Assistance Act of 1970. During these three days, a number of problems developed with respect to this legislation, problems the Administration agreed should be carefully thought through. For this reason, the Committee determined that rather than continuing the hearings on the Administration bill by Government witnesses, and then proceeding to hear non-Government witnesses with respect to a plan containing the many defects uncovered during the initial days of the hearing, it would be preferable for the Administration to take the Family Assistance Plan back and reconsider it in light of the hearing.

It was the Committee's intention that after the Administration had completed its reconsideration of the Family Assistance Plan and had resubmitted it to the Committee, together with suggested statutory changes in the text of the House bill and supporting explanatory material, this information would be published for the benefit of those desiring to testify at later stages of the hearings on H.R. 16311.

The Committee's intention is reflected in its press release of May 1, 1970, the text of which follows:

(1)

PRESS RELEASE

FOR IMMEDIATE RELEASE  
May 1, 1970

COMMITTEE ON FINANCE  
UNITED STATES SENATE  
2227 New Senate Office Bldg.

FAMILY ASSISTANCE PLAN  
FINANCE COMMITTEE HEARINGS POSTPONED

Honorable Russell B. Long (D., La.) Chairman of the Senate Committee on Finance, announced today that the Committee had decided to defer further hearings on H. R. 16311 until the Secretary of the Department of Health, Education and Welfare could reassess the adequacy of the Family Assistance Plan in light of the comments and observations of Committee members made during the past three days of public hearings.

The Chairman noted that this decision was reached by the Committee, in executive session, after consultation with the Secretary. It was the Committee's desire that the Department of Health, Education and Welfare, the Department of Labor, and other agencies of Government concerned with income maintenance programs, work during the next several days to devise an overall plan for welfare reform which would recognize the contributions made by other aid programs such as public housing, food stamps, rent supplements, and so on. It was also the view of the Committee that monetary incentives for able individuals to reduce or quit gainful employment in order to qualify for larger welfare benefits should be ended. Unfortunately, the Family Assistance Plan continued these disincentives to self-help.

When the Departments have completed their work, their plan, together with full explanatory materials, will be submitted to the Committee for publication and will form the basis for further hearings with Administration witnesses. Without specifying a time limit, it was anticipated that the Secretary of Health, Education and Welfare would be reporting on this work in about thirty days.

Senator Long noted that more than one hundred persons had asked to testify at public hearings on H. R. 16311. He noted that because of the action taken by the Committee today, public hearings on the Family Assistance Plan would be postponed until after the Secretary presents the overall plan referred to in the preceding paragraphs. He advised these persons that their requests to testify would be considered after further hearing of Administration witnesses, and that no new request to testify need be filed.

The complete text of the Committee's decision as announced by the Chairman and by Senator John J. Williams (R., Del.), the ranking minority member of the Committee, follows:

The Chairman. "It has been the decision of the Committee, after consulting with the Secretary and his assistants, that the Committee will recess this hearing, subject to the call of the Chair. The Secretary of Health, Education and Welfare has agreed to coordinate an effort among the Executive Departments concerned with income maintenance programs to devise an overall plan for welfare reform which will take account of benefits such as public housing, food stamps, etc., which are made available to low income families. When this plan is submitted to the Committee, it will be published. We will then proceed with the bill and the various suggestions that might be made, further exploring and meshing with the welfare program everything that is being done under other Federal programs and other State programs."

Senator Williams. "I have no comment except to concur in what the Chairman said. The Committee and the Secretary and the Department recognize that while this problem may go beyond the jurisdiction of Health, Education and Welfare, we feel that we do have to consider all of these programs that are related to welfare. They must all be considered and taken together, and the Department will have the opportunity to get together the various other departments and see what kind of plan they can come back with, and we will proceed further at that time. I think this reassessment is an excellent suggestion, and I certainly concur in it completely, because we do recognize that these problems exist and, as I stated yesterday, the first and most important step toward correcting something is a recognition of the problem.

"We all recognize that the existing law is likewise a monstrosity that needs changing. So we want to be sure that when we do change it, we are making the corrections.

"We had no objections, in fact we have a responsibility, to take care of those who through no fault of their own, are unable to work. But the time comes when we should end a program which rewards idleness and discourages personal initiative of those who can provide for themselves.

"I think that with all of us working together, this can be done."

The Chairman. "I would just like to make it clear that as far as this Senator is concerned, and I think that this is the consensus of the Committee, we do want to pass a bill. We would like to pass the best bill that we can pass. We would like to pass a bill which takes into consideration everything that private employers can be expected to do; everything that State governments can be expected to do; and everything that other Federal agencies can be expected to do as a part of this overall effort."

Senator Long also announced that he would issue a further announcement of the Committee's schedule with respect to H. R. 16311, as soon as the Departments have submitted their plans.

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**PART 1**

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**Revision of Family Assistance**

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THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

June 11, 1970

Honorable Russell B. Long  
Chairman, Senate Committee on  
Finance  
U.S. Senate  
Washington, D.C.

Dear Mr. Chairman:

Since the recess of the Committee's hearings on the Family Assistance Act we have had an opportunity to review the suggestions and comments on the legislation made by Committee members.

During the past six weeks, officials of our Departments and other interested Departments and Agencies have conducted an intensive study on ways to more effectively implement the basic concepts by the legislation. As the Committee suggested our studies also included other income maintenance programs related to the Family Assistance Program.

In the course of this review, we consulted with both members and staff of the Committee.

We are submitting today the results of that review. They include not only specific legislative proposals, but also a detailed discussion of administrative and other discretionary actions which our Departments propose to take in carrying out our responsibilities under the Act. The materials being submitted also include a discussion of related income maintenance programs as well as new and more detailed cost estimates.

We would appreciate the opportunity to testify on these proposals in the near future and stand ready to cooperate fully with the Committee during its deliberations on the Family Assistance Act.

George P. Shultz  
Secretary, Department of  
Labor

Sincerely,

Robert H. Finch  
Secretary, Department of Health, Education,  
and Welfare



FOR RELEASE AT 12:00 NOON EDT

JUNE 10, 1970

Office of the White House Press Secretary

THE WHITE HOUSESTATEMENT BY THE PRESIDENT ON  
WELFARE REFORM

Past programs to aid the poor have failed. They have degraded the poor, and defrauded the taxpayer. The Family Assistance Plan represents the most comprehensive and far-reaching effort to reform social welfare in nearly four decades. Today, I am announcing significant extensions of the Administration's welfare reform proposals.

Basic Principles

The Family Assistance Plan is based on four fundamental principles:

- . Strong incentives to encourage work and training;
- . Equity to provide assistance to working poor families;
- . Respect for individual choice and family responsibility; and
- . Administrative efficiency to earn the trust of the taxpayer.

Administration officials have worked recently to identify ways to extend the principles of this income strategy to other domestic programs -- such as Medicaid, food stamps, and public housing.

On the basis of this review, I have made my decision to propose basic amendments to the Family Assistance Act of 1970.

Health Insurance for Poor Families

The most important proposal I make today is to reform the Medicaid program.

Medicaid is plagued by serious faults. Costs are mounting beyond reason. Services vary considerably from State to State. Benefits are only remotely related to family resources. Eligibility may terminate abruptly as a family moves off welfare, often losing more in medical benefits than it gains in income.

In short -- just like the existing welfare system -- Medicaid is inefficient, inequitably excludes the working poor, and often provides an incentive for people to stay on welfare.

I will propose legislation at the beginning of the next Congress to establish a Family Health Insurance Program for all poor families with children. This insurance would provide a comprehensive package of health services, including both hospital and outpatient care.

Final decisions on the specifications of the Family Health Insurance Proposal must await further review by the new Domestic Council. We are satisfied that the basic principles will work. This proposal will constitute the second legislative stage of the Administration's income strategy against poverty.

Unified Administration of Food Stamps and Family Assistance

The Administration has already made extensive changes in the food stamp program to improve benefits, make them more equitable, and help even the very poorest families to receive assistance. We will propose that the Congress build on these

**executive reforms to integrate food stamps with Family Assistance and other income support programs.**

**Therefore, I plan to:**

- **Submit a Reorganization Plan at the beginning of the next Congress to transfer the food stamp program from the Department of Agriculture to the Department of Health, Education, and Welfare.**
- **Make it possible for a family to "check off" its food stamp purchase and receive its stamp allotment automatically with its Family Assistance check; and**
- **Revise the food stamp price schedule to make it rise evenly with increases in income.**

#### Assisted Housing

**Present subsidized housing programs are marked by inconsistencies and inequities. Many families pay the same rent despite wide differences in income. A small increase in earnings may force the family to move, losing much more housing assistance than is gained in income.**

**We have proposed a solution to many of these problems in the Housing Act of 1970. Rents would vary directly with income. A family would not be forced to move at some arbitrary income limit. We will offer this provision of the Housing Act to the Senate Finance Committee for its consideration.**

#### Reform of Individual and Family Services

**In other amendments, we are proposing significant changes in social services for the poor. This proposal has been developed in recent months, and will be ready for submission to the Congress next week.**

**These amendments will:**

- **Encourage accountability and program results;**
- **Strengthen the role of Governors, Mayors, and county executives;**
- **Seek to eliminate duplication and overlap.**

#### Other Major Changes

**Other Administration amendments to the Family Assistance Act make important changes. For example:**

- **Phasing out the special program for unemployed fathers, thus eliminating one of the most serious disincentives noted by the Senate Finance Committee;**
- **Limiting the welfare burden of the States by placing a ceiling on their financial obligations under the program;**
- **Strengthening the work requirement, and**
- **Reducing areas of administrative discretion.**

\* \* \* \* \*

**Nowhere has the failure of government been more tragically apparent in past years than in its efforts to help the poor. The 91st Congress has an historic but rapidly vanishing opportunity to reverse that record by enacting the Family Assistance Act of 1970. Let there be no mistake about this Administration's total commitment to passage of this legislative milestone this year.**

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BACKGROUND PAPER, JUNE 1970 AMENDMENTS TO THE FAMILY ASSISTANCE ACT, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, JUNE 10, 1970

I. The Present System

The present welfare system has been a failure. All indications are that its future will be worse, not better. In the last decade, the costs of aid to families with dependent children (AFDC) have more than tripled. The caseload has more than doubled.

Even more disturbing is the fact that the proportion of persons on AFDC is growing. In the past 15 years the proportion of children receiving assistance has doubled--from 30 children per 1,000 to about 60 per 1,000 at present.

Serious inequities exist under AFDC between regions of the country, between male- and female-headed families, and between poor people who work to help themselves on the one hand and the welfare poor on the other hand.

Average benefits for a female-headed family of four persons vary from \$46 to \$265 a month.

The present AFDC system encourages dependency. In no State is there now federally matched assistance for a male-headed family where the father works full time. The preferential treatment of female-headed families has led to increased family break-up. In 1940, 30 percent of AFDC families had absent fathers; today it is over 75 percent.

II. The Family Assistance Act of 1970

The Family Assistance Act of 1970, which passed the House 243-155, proposes a total reform of the failing welfare system through expanded work incentives, equitable treatment for the working poor, and Federal standards and eligibility rules. It provides payments to all families

with children with incomes below stipulated amounts.

The principal new group made eligible for cash assistance under the proposal is "working poor" families headed by males employed full time. The Administration's proposed system would cover both "dependent families," defined as those headed by a female or an unemployed father, and "working poor" families, defined as families headed by a full-time employed male.

### III. June 1970 Amendments

On May 1, the Senate Finance Committee requested the Administration to review Family Assistance, particularly to determine how its work incentive effects could be strengthened by applying them to companion programs such as Medicaid, public housing, and food stamps. We now offer major new proposals for the Committee's consideration to bring these other programs into close harmony with the structure and incentives of the President's welfare reform. Other changes are designed to increase work incentives and requirements under FAP and to limit State costs under the program.

#### A. Family Health Insurance Program

The current Medicaid program has serious defects:

- male-headed families among the working poor are typically excluded while nonworking and female-headed families are included, with the result that working people are less well off than those on welfare and families better off if the father leaves the home;
- welfare recipients suddenly lose entitlement to medical coverage once they work their way off the assistance rolls. The result: a strong disincentive to work.
- benefits and eligibility rules vary widely and inequitably from State to State.

Thorough study of the Medicaid system indicates that only fundamental reform can correct these deficiencies.

Thus, in January 1971 the Administration will offer legislation to establish a new Family Health Insurance Plan which will:

- cover all poor families with children, bringing equitable treatment for the working poor.
- require a modest contribution from participating families which will be scaled to increase with income so that there is no work disincentive "notch";
- provide a Federal floor of medical services nationwide which the States could supplement in a manner similar to their role under Family Assistance.

Such a plan might provide a \$500 premium value insurance policy with a contribution schedule as follows:

		<u>Range of Income over Which</u>		
		<u>Percent Premium is Paid</u>		
		0% of income between	\$0 and 1600	
plus	5%	" " "	1600 and 3000	
plus	10%	" " "	3000 and 4500	
plus	25%	" " "	4500 and 5620	

This plan would offer protection to between 5 and 6 million poor families. It could be financed for approximately the amount now being spent on Medicaid plus the premium contributions indicated.

#### B. Food Stamps

Present food assistance programs not only create wasteful and unnecessary administrative overlap with welfare, but also produce work disincentives. A recipient can still lose more off his food benefits than he gains from increased earnings as his wages rise above the eligibility point.

The Administration proposes to correct these defects as follows:

- Smooth the stamp schedule by administrative action so that no work disincentive "notch" remains;
- Simplify administration by permitting Family Assistance recipients to "check off" on their applications the amount of cash they wish applied for the purchase of stamps, with cash and stamps (or a voucher for stamps) sent to them in one transaction;
- Unify administration at the Federal level by reorganization plan, shifting administration from the Department of Agriculture to the Department of Health, Education, and Welfare.
- Phase out the commodity program so that it will be almost wholly out of existence by the end of the first year of operation of family Assistance.

### C. Public Housing

Public housing subsidies are not structured to decline as personal income goes up. The result is a work disincentive. If a person earns enough to push him over the housing eligibility line, he can suddenly lose entitlement to substantial in-kind benefits, with the loss more than offsetting his gain in earnings.

The Administration has already proposed a solution to this problem in the Housing Act of 1970. Under that bill, a family would pay 20% of its income under \$3500 and 25% of income above that amount as rent. As its income and rent increase, the housing subsidy steadily declines to zero without any sudden termination of benefits or a work disincentive.

The Administration proposes to offer this provision of the Housing Act to the Finance Committee for its consideration.

#### D. Unemployed Fathers

The Finance Committee noted that it was still possible under the House bill for men working full-time to be less well off than if they were unemployed or working part time. This is the result of the fact that full-time workers receive only the Federal Family Assistance benefit, while those in the so-called "unemployed fathers" category (i.e., male-headed families where the father is unemployed or working less than 35 hours per week) receive both Family Assistance and State supplementary benefits equivalent in total to what they now receive under the AFDC program.

The Administration proposes to eliminate this work disincentive by abolishing the Federal matching assistance for the Unemployed Fathers category--now covering about 90,000 cases out of a total AFDC caseload of almost 2 million families. In this manner, all male-headed families would be treated alike and always have an incentive to work more hours and earn more money. Families headed by a wholly unemployed father could still receive the basic \$1600 Federal benefit (for a family of four) plus about \$860 in food stamp bonus, for a total package of \$2460.

An alternative proposal to solve the problem by extending State supplementary benefits to the working poor was rejected as costing about an additional \$1 billion.

#### IV. Costs

The Senate Committee requested new data on the costs of the House-passed bill, taking into account the current 5% unemployment rate and updated to 1971. Those costs are as follows:

Payments to Families.....	\$1.4 billion
Payments to States under Part E.....	.8 "
Adult Category Changes.....	.6 "
Day Care and Training.....	.6 "
Administration.....	<u>.3</u> "
Subtotal.....	\$3.7
Increased Cost of Food Stamps due to Automatic Check-off.....	<u>.4</u>
Total.....	\$4.1

In order to provide greater certainty to the States on the cost impact of Family Assistance, the Administration is proposing an extension of the "hold harmless" provisions of the House bill. Under that bill, States were assured that--for each of the two years after the effective date of the program--they would have to spend no more on welfare than what we estimate their projected costs would have been under current law. Under the new proposal, the Federal Government would pick up any State costs required by the bill which were in excess of their actual expenditures in FY 1971 plus a factor for cost of living increases. This so-called "hold harmless" would be permanent, although optional State benefit increases--while still matched 30% by the Federal Government--would not be included.



## **COSTS AND CASELOADS UNDER THE FAMILY ASSISTANCE PLAN**

### **Introduction**

Early in the consideration of alternative approaches to welfare reform, the crucial importances of obtaining accurate cost estimates was recognized. Accordingly, estimating procedures were reviewed by a committee chaired by the Council of Economic Advisers. Members of this committee included staff from the White House, the Bureau of the Budget, the Department of Labor, the Office of Economic Opportunity, and the Department of Health, Education, and Welfare. When the major outlines of the Administration's proposals were decided upon, a cost review group was formed. This group is under the general direction of the Bureau of the Budget and includes representatives from the Department of Health, Education, and Welfare, the Department of Labor, and the Office of Economic Opportunity. The cost review group draws heavily upon the advice of outside consultants such as the Urban Institute and upon the expertise of several Government agencies including the Social Security Administration and the Bureau of Labor Statistics. The cost review group's major function is to provide the best possible cost estimate of the Administration's welfare reform proposals; to prepare analyses of the impact of these proposals; and to seek improved cost-estimating methods and analytic procedures.

A key decision of the cost review group was to use and build upon estimating procedures that had been developed by the President's Commission on Income Maintenance Programs. These procedures used data contained in OEO's 1966 Survey of Economic Opportunity as a basis for estimates of cost and coverage.

In the fall of 1969, the Social Security Administration was asked to review and improve these procedures and to apply them to the 1969 Current Population Survey data. Except where otherwise noted, the basic data source for the new Family Assistance Plan cost and case-load figures has been developed by the Social Security Administration from the 1969 CPS (based on 1968 surveys). This 1968 data was then projected forward to permit 1971 estimates. Similarly, the National Center for Social Statistics was asked to prepare estimates of the costs of the Administration's proposals for changes in the adult category programs.

## Cost Estimating Methodology

The Family Assistance Act has several important features which distinguish it in significant ways from the present welfare system. Each major feature requires a different cost estimating procedure.

**Adult Categories:** In developing estimates of the costs of the proposed changes in the adult category programs, the basic focus was on their relative impact. The effort was directed toward a method of revising the States' own estimates (which are used for budget preparation) to account for the impact of the proposed changes. No attempt was made to develop new or independent State-by-State estimates of costs and caseloads, under current law, for 1971. The method requires the following basic steps:

1. Using December 1969 data, adjust per case cost figures to account for changes in Social Security and other non-assistance income expected to occur between 1969 and 1971.
2. Using the results in Step 1, adjust caseload and average payments to account for the impact of the \$110 minimum income requirement and other changes.
3. Apply current Federal matching formulas obtained in Step 1 and the proposed Federal matching formula to the results obtained in Step 2.
4. "Annualize" the results of Step 3 by multiplying by 12 and compare the two sets of estimates to obtain the relative impact of the Administration's proposals.
5. Apply the results obtained above to the States' own estimates of 1971 costs and caseloads.

**Payments to families:** The most far-reaching feature of the Family Assistance Plan is that the Federal Government will make direct money payments to all low-income families with children, with the amount depending on family size and the amount and types of family income. Because the proposed program is totally different from any current program, an entirely new cost-estimating methodology was required. The procedure developed is not only a cost-estimating technique but is also a useful tool in the decision process.

In the discussions within the Administration about various alternative approaches to basic welfare reform, it was possible at key points to use the cost estimating system to help design the new program. For example, the basic payment level can be increased or decreased while other factors are held constant to determine the change that would occur in total costs. This characteristic is especially important in a program such as the Family Assistance Plan because of the interaction between policy variables. This costing method also provides information that shows how the plan or variations in the plan would affect families. Data can be produced to show the numbers of families and

the number of individuals eligible for benefits, family income, and other characteristics when changes are made in payment levels, income disregards, and other important policy variables.

In developing the first cost estimates for FAP, the basic data source used was the special Survey of Economic Opportunity (SEO). The Survey comprises detailed information on 30,000 families. This source was selected because it was the best detailed, statistically accurate, information base. While other data sources provide information on some variables, no other data source provides information for the same families for all of the important variables that affect the cost of the Family Assistance Program.

The 1966 and 1967 Surveys of Economic Opportunity were conducted for the Office of Economic Opportunity in the spring of 1966 and 1967. The field work for both surveys was performed for OEO by the Bureau of the Census. Creation of the SEO files was the joint product of OEO, the ASSIST Corporation, and members of the Brookings Economic Studies and Computer Center staffs.

The Surveys of Economic Opportunity include much of the information routinely collected in the annual February-March Current Population Surveys (CPS). CPS items include personal characteristics, such as age, race, sex, education, family relationships and marital status, and work-experience and income for the previous year.

In the SEO, in both years, information was obtained regarding family assets and liabilities, housing, and migration patterns. Information was collected regarding job training in 1966. In 1967, data were collected on personal health, marriage, and childbearing. The majority of additional questions were asked in both years, with some questions substantially revised in 1967.

Since the Current Population Survey for 1969 is now available, it is being used as the primary source for the development of the FAP cost estimates. The advantages of using the 1969 CPS are two-fold. First, the data is more current. Second, it provides an easy way of continually updating the results. Additionally, trend analysis can be performed by using the CPS for successive years. The SEO is still being used to analyze the characteristics of families eligible for Family Assistance benefits when the desired information is not available in the CPS. (A description of the CPS is included as an appendix.)

The value of using survey data lies in the fact that each family in the sample, and the characteristics of the family, bear a distinct and definable relationship to the general population. Therefore, by knowing what effect the Family Assistance Plan would have on the sample families, it is possible to determine the impact of the Plan on the total population.

**A. Methodology:** In the computation of the cost to the Federal Government and the benefit to recipients of Family Assistance Pay-

ments, each household is first identified to determine whether it is a family containing at least one child. Financial records for families with children are then taken up one by one, and all computations on each family completed prior to moving to the next family. Results of each computation are recorded and the entries for one family added to those obtained from computations on the records of prior families. At the end of the process, the totals reflect the results of computations for all families.

The procedure for each unit is to: (1) determine whether the interview or family unit contains a child under 18 or a student under 21 and is categorically eligible for a benefit payment; (2) determine the size of the unit so that the benefit payment to the family if it had no income can be computed; (3) count the family income that, under the proposed legislation, would reduce the basic benefit on a dollar for dollar basis; and (4) finally, deduct the countable income from the basic benefit to determine the actual benefit payment. Where countable income exceeds the basic benefit, the benefit is determined to be zero. *The actual benefit paid is the difference between the "basic benefit" (FAP payment to a family with no other income) and a family's "countable income."*

The total benefits computed in this way constitute the total, direct transfer costs of the Family Assistance Act as it pertains to families with children.

Since the Federal Government would no longer participate financially in the Aid to Families with Dependent Children (AFDC) program, the net costs of the Family Assistance Plan are the costs as computed above, minus the Federal share of AFDC under current law plus the cost of the Federal matching of State supplemental payments and the "hold harmless" provision.

Since each unit in the file contains information on income by source, it is possible to indicate the impact on each unit's total family income. For example, AFDC payments (or what could be supplementary payments under Part E of the Family Assistance Plan) would be reduced on a dollar for dollar basis if the unit received Family Assistance Plan benefits. That family's income would increase, therefore, only if it had no welfare benefit. Thus, the net effect of instituting the Family Assistance Plan on family income, as well as the overall impact on poverty, can be estimated. Similarly, the possible reductions in the Family Assistance Plan if other program benefits, such as Social Security, were increased can be estimated.

In summary, the procedure permits estimating: (1) the costs of FAP if nothing else were changed, (2) the probable savings in other programs due to the implementation of FAP, and (3) the probable savings in FAP if other programs were changed.

**B. Projecting the cost estimates:** The latest available survey data is the Current Population Survey which reports on family and household status at the time of the interview (March 1969) and on family income for 1968. These data were projected forward to 1971 and 1976 by incorporating known growth rates in population and income. An examination of Table 5 indicates that reasonable results are obtained from this procedure. Between 1971 and 1976 there is an overall decline in the number of families estimated as eligible for benefits. As expected, the decline is the greatest for families in which the head works full time and there is an absolute increase in the number of families where the head does not work. The results of the projection method were also confirmed by comparing the results of projecting the 1967 SEO forward to 1969 with the results obtained by using the 1969 CPS without projection factors. The difference in these comparative projections is less than ten percent.

The projection method presently in use cannot by itself account for changes in the unemployment rate although efforts are under way which will introduce this flexibility into the procedures. Since unemployment has increased since the time of the 1969 CPS, it was necessary to incorporate an adjustment factor into the estimates. The Bureau of Labor Statistics was requested to develop this factor. Appendix II provides a brief summary of the method developed as well as a more technical discussion.

**C. State supplementation:** Title I of the Family Assistance Act requires that States must supplement family assistance benefits for specified types of families. The estimate provided for this feature is based on:

1. the known relationship of the State supplemental payment to the Family Assistance payments;
2. data on existing caseloads, payments, and, where available, distributions of cases by payment levels;
3. fragmentary data on income of AFDC recipients by source;
4. assumptions about the distribution of female-headed families in the income brackets just above each State's need standard.

The method used for computing State supplementals discussed above must be used rather than using a methodology similar to the one described for estimating regular Family Assistance benefits. The sample size is generally not large enough to produce State-by-State estimates though it may still prove possible to do so for some of the larger States.

Although the CPS is primarily designed to furnish material for making aggregate estimates, States identifying codes are contained in the CPS (they were not in the SEO). Because of this, the procedures for computing Family Assistance costs have been expanded to produce estimates on a State-by-State basis for both the "working poor" pop-

ulation and the families eligible for State supplementals. The cost review group is working to refine these individual State estimates.

**D. Other cost factors:** There are other cost factors, less amenable to control, which may affect the costs of the Family Assistance Plan. These factors are of two sorts: (1) those that derive from outside the system and (2) changes induced by the introduction of the system itself. The procedure described above can be used to measure such cost impacts.

Changes from outside the system are related to such things as the unemployment rate and productivity. Analysis is now underway which will indicate the sensitivity of FAP costs to changes in these factors (for example, the increase in FAP costs associated with a given percentage increase in unemployment).

Changes in behavior brought about by the Family Assistance Plan itself are difficult to determine (though again, where the changes can be determined, their cost effects can be estimated). Two possible changes are in work behavior and family formation patterns. However, the FAP is designed to minimize the incentives for undesirable responses in these areas.

Because of the importance of the welfare reform proposals and the uncertainties involved in estimating costs of any new program, a cautious and conservative approach has been adopted. For example, the cost estimates for the Family Assistance Plan assume that all eligible families participate to the full extent of their eligibility. Further, the potential savings due to the training programs have not been included in the estimates. Similarly, the estimated cost of the Federal sharing of State supplemental costs assumes a continuation of recent trends in AFDC although the Administration believes that the proposed legislation would substantially dampen these trends. A final example of this conservative approach is reflected in an adjustment made in the CPS to correct an apparent inconsistency between the survey data and actual program data. The amount of Public Assistance income reported in the survey is less than the actual dollars paid out. Most professionals in the field believe that this is the result of interviewed families failing to report receipt of welfare income. Nonetheless, an adjustment was made in the data under the very unlikely possibility that the entire discrepancy is explained by a failure to include the appropriate number of public assistance recipients in the survey. This adjustment technique increases the estimated cost of FAP.

The Administration is prepared to discuss its estimating procedures in detail and to make available these procedures to the Committee in its consideration of the Family Assistance Act.

Table 1.—Estimated net costs of the family assistance plan, 1971

	<i>Billions</i>
Payments to families.....	\$1.4
Payments to States under part E <sup>1</sup> .....	.8
Adult category changes.....	.6
Day care and training.....	.6
Administration.....	.3
<b>Subtotal</b> .....	<b>3.7</b>
Increased cost of food stamps due to automatic check-off <sup>2</sup> .....	.4
<b>Total</b> .....	<b>4.1</b>

<sup>1</sup> Includes \$700 million as the cost of the 30% matching of State supplemental payments and \$100 million as the cost of the "hold harmless."

<sup>2</sup> Estimate of the cost of increased utilization due to simpler application procedures.

Table 2.—Derivation of estimated net cost of payments to families under the family assistance plan, 1971

	<i>Billions</i>
Estimated gross payments <sup>1</sup> .....	\$4.0
Adjustment for changes in the unemployment rate <sup>2</sup> .....	.1
Adjustment for the costs of FAP in Puerto Rico <sup>3</sup> .....	.1
<b>Total gross payments</b> .....	<b>4.2</b>
Less Federal share of AFDC <sup>4</sup> .....	2.8
<b>Net cost</b> .....	<b>1.4</b>

<sup>1</sup> Gross payments are total Federal payments to low income families with children under Part D. Estimates are based on the 1969 CPS of 1968 income projected forward to 1971.

<sup>2</sup> The actual unemployment rate during the survey year was 3.6%. Current unemployment is 5.0%. Based on procedures developed by the Bureau of Labor Statistics, gross payments would increase by \$140 million dollars with this change in the unemployment rate.

<sup>3</sup> Puerto Rico is not included in the CPS. Estimates are based on data provided by the Commonwealth of Puerto Rico.

<sup>4</sup> Latest estimate of the Federal share of FY 1971 AFDC costs.

Table 3.—Estimated Federal costs of maintenance payments under Family Assistance Act in 1971

<b>Family Category</b>	
Net additional Federal payments to low income families:	
a. Direct payments.....	<i>Billions</i> \$1.4
b. 30% match of State supplementals plus "hold harmless".....	.8
<b>Subtotal</b> .....	<b>2.2</b>
Projected Federal share of AFDC under current law.....	2.8
<b>Total Federal costs of payments to families</b> .....	<b>5.0</b>
<b>Adult Category</b>	
Net additional Federal payments to adult categories.....	.6
Projected Federal share of adult categories under current law.....	2.2
<b>Total Federal costs of payments to adult categories</b> .....	<b>2.8</b>
<b>Total Federal costs of payments to low income households</b> .....	<b>7.8</b>

TABLE 4-A. COMPARISON OF PROJECTED FEDERAL COSTS OF MAINTENANCE PAYMENTS UNDER THE FAMILY ASSISTANCE PLAN AND CURRENT LAW, 1971-76

(In billions of dollars)

	1971	1972	1973	1974	1975	1976
<b>Under family assistance plan:</b>						
Payments to families <sup>1</sup> .....	\$4.2	\$4.1	\$4.0	\$4.0	\$3.9	\$3.8
Payments to States under pt. E.....	.8	.9	1.0	1.1	1.2	1.3
Federal share of adult categories....	2.8	3.0	3.2	3.3	3.5	3.7
<b>Total.....</b>	<b>7.8</b>	<b>8.0</b>	<b>8.2</b>	<b>8.4</b>	<b>8.6</b>	<b>8.8</b>
<b>Under current law:</b>						
Federal share of AFDC.....	2.8	3.2	3.7	4.2	4.8	5.4
Federal share of adult categories.....	2.2	2.4	2.6	2.7	2.8	3.0
<b>Total.....</b>	<b>5.0</b>	<b>5.6</b>	<b>6.3</b>	<b>6.9</b>	<b>7.6</b>	<b>8.0</b>

<sup>1</sup> Gross FAP payments as estimated from an analysis of the current population survey. Adjustments have been made to reflect a higher unemployment rate and the inclusion of Puerto Rican families in the program.

Note: Except for payments to families under the family assistance plan (which are estimated using the methodology described in the text) the projections assume a continuation of recent trends. Especially in the case of AFDC, these trends are not likely to continue indefinitely into the future. However, there is no present indication of when the growth rate can be expected to slow down. Estimates for 1971 are based on the latest estimates from the States.

TABLE 4-B.—COMPARISON OF PROJECTED RECIPIENTS UNDER THE FAMILY ASSISTANCE PLAN AND CURRENT LAW, 1971-1976

(In millions of dollars)

	1971	1972	1973	1974	1975	1976
<b>Under family assistance plan:</b>						
Persons in families receiving FAP only.....	13.1	12.7	12.3	11.9	11.5	11.0
Persons in families receiving FAP and State supplemental..	7.5	8.4	9.4	10.6	11.9	13.4
Adult category recipients.....	3.2	3.3	3.5	3.6	3.8	3.9
<b>Total.....</b>	<b>23.8</b>	<b>24.4</b>	<b>25.2</b>	<b>26.1</b>	<b>27.2</b>	<b>28.3</b>
<b>Under current law:</b>						
AFDC recipients.....	8.5	9.6	10.8	12.1	13.6	15.3
Adult category recipients.....	3.1	3.2	3.4	3.5	3.7	3.8
<b>Total.....</b>	<b>11.6</b>	<b>12.8</b>	<b>14.2</b>	<b>15.6</b>	<b>17.3</b>	<b>19.1</b>

Note: See notes for table 4-A.



TABLE 5.—ESTIMATED NUMBER OF FAMILIES ELIGIBLE FOR FAMILY ASSISTANCE BENEFITS IN 1971 AND 1976 BY SELECTED CHARACTERISTICS

Characteristic	1971		1976	
	Number of families (thousands)	Percent of total	Number of families (thousands)	Percent of total
Grand total.....	3,678	100.0	3,124	100.0
<b>Sex of family head:</b>				
Male.....	1,846	50.2	1,318	42.2
Female.....	1,831	49.8	1,806	57.8
<b>Race of family head:</b>				
White.....	2,258	61.4	1,833	58.7
Non-white.....	1,420	38.6	1,291	41.3
<b>Age of family head:</b>				
65 and over.....	132	3.6	134	4.3
Under 65.....	3,546	96.4	2,990	95.7
<b>Region of residence:</b>				
Northeast.....	776	21.1	685	21.9
North Central.....	747	20.3	623	19.9
South.....	1,570	42.7	1,296	41.6
West.....	585	15.9	520	16.6
<b>Work experience of family head:</b>				
Worked full time all year.....	1,167	31.7	783	25.1
Some work experience during year.....	1,297	35.3	1,078	34.5
No work during year.....	1,182	32.1	1,248	39.9
Military.....	32	.9	10	.3
<b>Number of earners in family:</b>				
No earners.....	883	24.0	966	30.9
1 earner.....	1,589	43.2	1,247	39.9
2 earners.....	768	20.9	565	18.1
3 or more earners.....	437	11.9	346	11.1

Source: Based on the March 1969 current population survey which collected information on family status at the time of the interview and on income for the preceding year (1968). The survey data have been adjusted to account for changes in income and population expected to occur from the survey year to 1971 and from 1971 to 1976.

TABLE 6.—1971 PUBLIC ASSISTANCE PAYMENTS UNDER H.R. 16311  
AS AMENDED, JUNE 1970: CHANGE IN NET COST TO THE STATES

[In millions of dollars]

	Adult pro- grams	Family pro- gram <sup>1</sup>	Total	"Hold harm- less" payment to States
Total .....	-\$166.2	-\$495.3	-\$661.5	\$34.6
Alabama .....	-5.2	-5.0	-10.2	
Alaska .....	-.4	-1.6	-2.0	
Arizona .....	-.4	-9.3	-8.9	
Arkansas .....	4.5	-2.5	2.0	2.0
California .....	-68.6	-163.9	-232.5	
Colorado .....	-3.9	-11.4	-15.3	
Connecticut .....	-2.1	-1.1	-3.2	
Delaware .....	-.6	-2.3	-2.9	
District of Columbia .....	-.6	-4.6	-5.2	
Florida .....	-1.6	-17.2	-18.8	
Georgia .....	16.1	-26.0	-9.9	
Hawaii .....	-.5	-1.7	-2.2	
Idaho .....	-.5	.8	.3	.3
Illinois .....	-10.8	-46.2	-57.0	
Indiana .....	.5	-10.1	-9.6	
Iowa .....	-1.4	-1.3	-2.7	
Kansas .....	-3.4	-3.1	-6.5	
Kentucky .....	5.4	-4.5	.9	.9
Louisiana .....	-6.8	-19.4	-26.2	
Maine .....	-1.1	-2.1	-3.2	
Maryland .....	1.1	-13.1	-12.0	
Massachusetts .....	-12.3	-9.5	-21.8	
Michigan .....	-14.1	-9.0	-23.1	
Minnesota .....	-5.9	3.5	-2.4	

TABLE 6.—1971 PUBLIC ASSISTANCE PAYMENTS UNDER H.R. 16311 AS AMENDED, JUNE 1970: CHANGE IN NET COST TO THE STATES—Continued

	Adult programs	Family program <sup>1</sup>	Total	"Hold harmless" payment to States
Mississippi.....	\$12.1	-\$3.1	\$9.0	\$9.0
Missouri.....	-12.9	-13.1	-26.0	
Montana.....	-.8	-.8	-1.6	
Nebraska.....	( <sup>2</sup> )	-2.5	-2.5	
Nevada.....	( <sup>2</sup> )	-1.3	-1.3	
New Hampshire.....	-.2	.2		
New Jersey.....	-3.4	9.3	5.9	5.9
New Mexico.....	1.9	-.3	1.6	1.6
New York.....	-29.0	-29.6	-58.6	
North Carolina.....	5.5	-4.6	.9	.9
North Dakota.....	-.2	.9	.7	.7
Ohio.....	-3.3	-29.1	-32.4	
Oklahoma.....	-8.8	-4.8	-13.6	
Oregon.....	-2.6	-7.3	-9.9	
Pennsylvania.....	-11.7	11.9	.2	.2
Rhode Island.....	-.9	-4.4	-5.3	
South Carolina.....	9.1	-3.1	6.0	6.0
South Dakota.....	-.3	1.7	1.4	1.4
Tennessee.....	11.4	-11.1	.3	.3
Texas.....	-17.2	-12.9	-30.1	
Utah.....	.3	-1.4	-1.1	
Vermont.....	.9	1.6	.7	.7
Virginia.....	1.5	3.2	4.7	4.7
Washington.....	-9.1	-2.2	-11.3	
West Virginia.....	3.1	-7.4	-4.3	
Wisconsin.....	-3.3	-10.1	-13.4	
Wyoming.....	-.2	-.3	-.5	
Guam.....	-.1	.1	( <sup>2</sup> )	
Puerto Rico.....	5.5	-13.5	-8.0	
Virgin Islands.....	.1	-.7	-.6	

<sup>1</sup> Estimates assume no AFDC-UF programs are continued.

<sup>2</sup> Less than \$50,000.

TABLE 7.—SUMMARY OF CHARACTERISTICS OF FAMILIES ELIGIBLE FOR FAMILY ASSISTANCE BENEFITS IN 1971

Characteristic	Families covered		Gross payments <sup>1</sup>		Number of persons (thousands)	Percent of total	Average payment per family	Average family size
	Number of families (thousands)	Percent of total	Dollars (millions)	Percent of total				
Grand total.....	3,678	100.0	4,003	100.0	18,458	100.0	\$1,088	5.0
Sex of family head:								
Male.....	1,846	50.2	1,724	43.1	10,538	57.1	934	5.7
Female.....	1,831	49.8	2,279	56.9	7,920	42.9	1,244	4.3
Race of head:								
White.....	2,258	61.4	2,226	55.6	10,814	58.6	986	4.8
Nonwhite.....	1,420	38.6	1,777	44.4	7,644	41.4	1,251	5.4
Age of family head:								
65 and over.....	132	3.6	130	3.2	661	3.6	985	5.0
Under 65.....	3,546	96.4	3,873	96.8	17,797	96.4	1,092	5.0
Region of residence:								
Northeast.....	776	21.1	895	22.4	3,519	19.1	1,153	4.5
North central.....	747	20.3	802	20.0	3,699	20.0	1,074	5.0
South.....	1,570	42.7	1,653	41.3	8,439	45.7	1,052	5.4
West.....	585	15.9	651	16.3	2,801	15.2	1,113	4.8
Work experience of family head:								
Worked full time all year.....	1,167	31.7	994	24.8	6,677	36.2	851	5.7
Some work experience during year.....	1,297	35.3	1,330	33.2	6,277	34.0	1,025	4.8
No work during year.....	1,182	32.1	1,667	41.6	5,349	29.0	1,410	4.5
Military.....	32	.9	12	.3	155	.8	375	4.8
Number of earners in family:								
No earners.....	883	24.0	1,297	32.4	3,730	20.2	1,469	4.2
One earner.....	1,589	43.2	1,499	37.4	7,453	40.4	943	4.7
Two earners.....	768	20.9	660	16.5	4,039	21.9	859	5.3
Three or more earners.....	437	11.9	547	13.7	3,236	17.5	1,251	7.4

<sup>1</sup> Gross payments are total Federal payments to low-income families with children under part D. Does not include Puerto Rico, Virgin Islands, or Guam.

Source: Based on the March 1969 Current Population Survey which collected information on family status at the time of the interview and on income for the preceding year (1968). The survey data have been adjusted to account for changes in income and population between the time of the survey and 1971.

TABLE 8.—ESTIMATED NUMBER OF FAMILIES ELIGIBLE FOR FAMILY ASSISTANCE BENEFITS IN 1971, BY AGE OF HEAD AND SEX OF HEAD

[Numbers in thousands]

	Total families		Male heads		Female heads	
	Number	Percent	Number	Percent	Number	Percent
Under 65.....	3,546	96.4	1,764	95.6	1,782	97.3
65 and over.....	132	3.6	82	4.4	50	2.7
Total.....	3,678	100.0	1,846	100.0	1,831	100.0

Source: Based on the March 1969 current population survey which collected information on family status at the time of the interview and on family income in 1968. The survey data have been adjusted to account for changes in income and population between the time of the survey and 1971.

TABLE 9.—ESTIMATED NUMBER OF FAMILIES ELIGIBLE FOR FAMILY ASSISTANCE BENEFITS IN 1971, BY RACE OF HEAD AND SEX OF HEAD

[Numbers in thousands]

	Total families		Male heads		Female heads	
	Number	Percent	Number	Percent	Number	Percent
White.....	2,258	61.4	1,322	71.6	936	51.1
Nonwhite.....	1,420	38.6	524	28.4	896	48.9
Total.....	3,678	100.0	1,846	100.0	1,831	100.0

Source: Based on the March 1969 current population survey which collected information on family status at the time of the interview and on family income in 1968. The survey data have been adjusted to account for changes in income and population between the time of the survey and 1971.

TABLE 10.—ESTIMATED NUMBER OF FAMILIES ELIGIBLE FOR FAMILY ASSISTANCE BENEFITS IN 1971 BY REGION<sup>1</sup> OF RESIDENCE AND SEX OF HEAD

[Numbers in thousands]

	Total families		Male heads		Female heads	
	Number	Percent	Number	Percent	Number	Percent
Northeast.....	776	21.1	271	14.7	504	27.5
North central.....	747	20.3	377	20.4	370	20.2
South.....	1,570	42.7	914	49.5	656	35.8
West.....	585	15.9	284	15.4	301	16.4
Total.....	3,678	100.0	1,846	100.0	1,831	100.0

<sup>1</sup> The 4 major regions of the United States represent groups of States, as follows: Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont. North central: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin. South: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Mississippi, Maryland, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia. West: Arizona, Colorado, California, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming, Alaska and Hawaii.

Source: Based on the March 1969 current population survey which collected information on family status at the time of the interview and on family income in 1968. The survey data have been adjusted to account for changes in income and population between the time of the survey and 1971.

TABLE 11.—ESTIMATED NUMBER OF FAMILIES ELIGIBLE FOR FAMILY ASSISTANCE BENEFITS IN 1971, BY WORK EXPERIENCE AND SEX OF HEAD

[Numbers in thousands]

	Total families		Male heads		Female heads	
	Number	Percent	Number	Percent	Number	Percent
Worked full or part year <sup>1</sup> .....	2,496	67.9	1,642	88.9	886	48.4
Worked full year (50 to 52 weeks).....	1,313	35.7	989	53.6	324	17.7
Full time.....	1,167	31.7	921	50.0	246	13.4
Part time.....	146	4.0	68	3.7	78	4.3
Worked part year (less than 50 weeks).....	1,151	31.3	589	31.9	562	30.7
Full time.....	846	23.0	498	27.0	348	19.0
27 to 49 weeks.....	455	12.4	311	16.8	144	7.9
1 to 26 weeks.....	391	10.6	187	10.1	204	11.1
Part time.....	305	8.3	91	4.9	214	11.7
27 to 49 weeks.....	101	2.7	33	1.8	67	3.7
1 to 26 weeks.....	204	5.5	58	3.1	147	8.0
Didn't work at all.....	1,182	32.1	236	12.9	945	51.6
Total.....	3,678	100.0	1,846	100.0	1,831	100.0

<sup>1</sup> Includes family heads who were in the military service at the time of the interview.

Source: Based on the March 1969 current population survey which collected information on family status at the time of the interview and on family income in 1968. The survey data have been adjusted to account for changes in income and population between the time of the survey and 1971.

TABLE 12.—ESTIMATED NUMBER OF FAMILIES ELIGIBLE FOR FAMILY ASSISTANCE BENEFITS IN 1971 BY RESIDENCE IN SMSA AND SEX OF FAMILY HEAD

[Numbers in thousands]

	Total families		Male heads		Female heads	
	Number	Percent	Number	Percent	Number	Percent
In SMSA <sup>1</sup> .....	2,006	54.5	737	39.9	1,269	69.3
Central city <sup>2</sup> .....	1,294	35.2	396	21.5	898	49.0
Not central city.....	712	19.4	341	18.5	371	20.3
Not in SMSA.....	1,672	45.5	1,109	60.1	563	30.7
Total.....	3,678	100.0	1,846	100.0	1,831	100.0

<sup>1</sup> Generally an SMSA is a county or group of contiguous counties which contains at least 1 city of 50,000 inhabitants or more, or "twin cities", with a combined population of at least 50,000.

<sup>2</sup> Generally, central cities are determined according to the following criteria: (1) The largest city in an SMSA is always a central city. (2) 1 or 2 additional cities may be secondary central cities on the basis and in the order of the following criteria: (a) The additional city or cities have at least 250,000 inhabitants. (b) The additional city or cities have a population of  $\frac{1}{3}$  or more of that of the largest city and a minimum population of 25,000.

Source: Based on the March 1969 current population survey which collected information on family status at the time of the interview and on family income in 1968. The survey data have been adjusted to account for changes in income and population between the time of the survey and 1971.

TABLE 13.—ESTIMATED NUMBER OF FAMILIES ELIGIBLE FOR FAMILY ASSISTANCE BENEFITS IN 1971 BY NUMBER OF EARNERS<sup>1</sup> IN FAMILY AND SEX OF FAMILY HEAD

[Numbers in thousands]

	Total families		Male heads		Female heads	
	Number	Percent	Number	Percent	Number	Percent
No earners.....	883	24.0	136	7.4	747	40.8
1 earner.....	1,590	43.2	870	47.1	720	39.3
2 earners.....	768	20.9	525	28.4	243	13.3
3 or more earners.....	437	11.9	316	17.1	121	6.6
Total.....	3,678	100.0	1,846	100.0	1,831	100.0

<sup>1</sup> An "earner" is a family member with \$1 or more in wages and salaries or \$1 or more or a loss in net income from farm and nonfarm employment.

Source: Based on the March 1969 current population survey which collected information on family status at the time of the interview and on family income in 1968. The survey data have been adjusted to account for changes in income and population between the time of the survey and 1971.

TABLE 14.—ESTIMATED NUMBER OF FAMILIES ELIGIBLE FOR FAMILY ASSISTANCE BENEFITS IN 1971 BY NUMBER OF CHILDREN<sup>1</sup> IN THE FAMILY AND SEX OF FAMILY HEAD

[Numbers in thousands]

	Total families		Male heads		Female heads	
	Number	Percent	Number	Percent	Number	Percent
1 child.....	799	21.7	379	20.5	420	22.9
2 children.....	746	20.3	364	19.7	382	20.7
3 children.....	689	18.7	311	16.8	378	20.6
4 children.....	528	14.4	255	13.8	273	14.9
5 children.....	341	9.3	192	10.4	149	8.1
6 children or more.....	574	15.6	345	18.7	229	12.5
Total.....	3,678	100.0	1,846	100.0	1,831	100.0

<sup>1</sup> Defined as children under 18 years of age, 21 if attending school.

Source: Based on the March 1969 current population survey which collected information on family status at the time of the interview and on family income in 1968. The survey data have been adjusted to account for changes in income and population between the time of the survey and 1971.

TABLE 15.—ESTIMATED NUMBER OF FAMILIES ELIGIBLE FOR FAMILY ASSISTANCE BENEFITS IN 1971 BY EDUCATION OF FAMILY HEAD

[Numbers in thousands]

	Total families		Male heads		Female heads	
	Number	Percent	Number	Percent	Number	Percent
No education.....	82	2.2	53	2.9	30	16.4
1 to 8 years.....	1,574	42.8	911	49.3	664	36.3
9 to 12 years.....	1,770	48.1	725	39.3	1,045	57.1
13 or more years.....	251	6.8	158	8.6	93	5.1
<b>Total.....</b>	<b>3,678</b>	<b>100.0</b>	<b>1,846</b>	<b>100.0</b>	<b>1,831</b>	<b>100.0</b>

Note: Detail may not add due to rounding.

Source: Based on the March 1969 current population survey which collected information on family status at the time of the interview and on family income in 1968. The survey data have been adjusted to account for changes in income and population between the time of the survey and 1971.

TABLE 16.—ESTIMATED NUMBER OF FAMILIES ELIGIBLE FOR FAMILY ASSISTANCE BENEFITS IN 1971 BY SIZE OF FAMILY

[Numbers in thousands]

	Total families		Male heads		Female heads	
	Number	Percent	Number	Percent	Number	Percent
<b>Number of family members:</b>						
2 to 3.....	1,093	29.7	356	19.3	737	40.3
4 to 6.....	1,738	47.3	898	48.6	840	45.9
7 plus.....	844	22.9	591	32.0	253	13.8
<b>Total.....</b>	<b>3,678</b>	<b>100.0</b>	<b>1,846</b>	<b>100.0</b>	<b>1,831</b>	<b>100.0</b>

Note: Detail may not add due to rounding.

Source: Based on the March 1969 current population survey which collected information on family status at the time of the interview and on family income in 1968. The survey data have been adjusted to account for changes in income and population between the time of the survey and 1971.



TABLE 17.—ESTIMATED NUMBER OF FAMILIES ELIGIBLE FOR FAMILY ASSISTANCE BENEFITS IN 1971 BY OCCUPATIONS OF FAMILY HEADS

[Numbers in thousands]

	Total families		Male heads		Female heads	
	Number	Percent	Number	Percent	Number	Percent
Professional, technical, kindred .....	57	2.6	40	2.6	16	2.4
Farmers .....	262	11.9	258	17.0	3	.4
Managers, officers, and proprietors, ex- cluding farm .....	148	6.7	137	9.0	10	1.5
Clerical .....	130	5.9	28	1.8	101	14.9
Sales .....	72	3.3	42	2.8	29	4.3
Crafts .....	254	11.5	248	16.3	5	.7
Operatives .....	451	20.5	314	20.7	137	20.3
Private household Service .....	113	5.1	0	0	112	16.6
Farm laborers .....	343	15.6	95	6.3	248	36.7
Laborer, excluding farm .....	141	6.4	134	8.8	6	.9
Subtotal .....	2,203	100.0	1,519	100.0	676	100.0
Occupation NA .....	1,468		320		1,148	
Total .....	3,678	100.0	1,846	100.0	1,831	100.0

Note: Detail may not add due to rounding.

Source: Based on the March 1969 current population survey which collected information on family status at the time of the interview and on family income in 1968. The survey data have been adjusted to account for changes in income and population between the time of the survey and 1971.

TABLE 18.—1971 ESTIMATED CASELOADS UNDER SUGGESTED REVISION OF H.R. 16311, JUNE 1970 BY PROGRAM AND STATE

[in thousands]

	Adult programs	Families <sup>1</sup> receiving State supple- ments	Families receiving FAP only	Total
Total .....	3,226.9	1,938.8	2,333.7	7,499.4
Alabama .....	141.3		98.2	239.5
Alaska .....	2.6	2.6	3.3	8.5
Arizona .....	22.1	15.1	17.0	62.7
Arkansas .....	94.5		46.6	141.1
California .....	521.8	305.9	127.2	954.9
Colorado .....	43.3	10.4	47.7	101.4
Connecticut .....	16.2	34.4	10.1	60.7
Delaware .....	4.2	3.9	5.1	13.2
District of Columbia .....	10.1	12.2	1.3	23.6
Florida .....	92.2	28.6	88.5	209.3
Georgia .....	156.5		137.5	294.0
Hawaii .....	4.9	8.7	5.3	18.9
Idaho .....	7.0	5.1	6.7	18.8
Illinois .....	80.5	114.0	40.5	235.0
Indiana .....	26.0	15.8	39.0	80.8

TABLE 18.—1971 ESTIMATED CASELOADS UNDER SUGGESTED REVISION OF  
H.R. 16311, JUNE 1970 BY PROGRAM AND STATE—Continued

[In thousands]

	Adult programs	Families <sup>1</sup> receiving State supplements	Families receiving FAP only <sup>2</sup>	Total
Iowa	30.3	21.9	20.6	72.8
Kansas	20.9	19.4	11.9	52.2
Kentucky	97.0	43.0	46.7	186.7
Louisiana	148.9		140.5	289.4
Maine	16.0	8.8	14.3	39.1
Maryland	31.8	37.8	17.1	86.7
Massachusetts	76.2	81.9	10.7	168.8
Michigan	70.2	89.1	40.7	200.0
Minnesota	21.2	37.4	31.0	89.6
Mississippi	110.4		120.4	230.8
Missouri	113.0		69.5	182.5
Montana	6.3	4.7	6.7	17.7
Nebraska	12.6	7.7	24.9	45.2
Nevada	8.2	2.1	5.0	15.3
New Hampshire	5.8	4.0	2.7	12.5
New Jersey	36.4	91.7	21.7	149.8
New Mexico	20.2	19.7	12.9	52.8
New York	156.5	355.8	84.8	497.2
North Carolina	83.0	31.3	119.2	233.5
North Dakota	6.2	3.8	15.4	25.4
Ohio	92.1	91.3	61.3	244.7
Oklahoma	104.7	32.4	25.1	162.2
Oregon	16.2	18.1	11.1	45.4
Pennsylvania	88.6	173.4	79.7	341.7
Rhode Island	7.7	15.0	1.3	24.0
South Carolina	37.4		87.1	124.5
South Dakota	6.2	5.9	23.0	35.1
Tennessee	107.8		104.7	212.5
Texas	285.5	48.9	183.4	517.8
Utah	11.4	5.8	3.9	21.1
Vermont	7.1	5.7	2.8	15.6
Virginia	22.8	36.0	41.4	100.2
Washington	40.6	43.8	21.8	106.2
West Virginia	20.4	15.2	31.9	67.5
Wisconsin	29.9	28.3	12.3	60.5
Wyoming	2.9	1.5	2.7	7.1
Guam	.4	.5	.1	1.0
Puerto Rico	50.0		150.0	200.0
Virgin Islands	.8	.2	.1	1.1

<sup>1</sup> Families receiving State supplemental payments.

<sup>2</sup> Families receiving FAP payments only, including the working poor, families headed by unemployed fathers, and AFDC families in States where the State payment level is less than the FAP payment level.

TABLE 19.—1971 ESTIMATED RECIPIENTS UNDER H.R. 16311 AS AMENDED,  
JUNE 1970 BY PROGRAM AND STATE

[In thousands]

	Adult programs	Number of individuals receiving State supplements	FAP only	Total
Total	3,226.9	7,461.4	13,096.0	23,734.3
Alabama	141.3		524.5	665.8
Alaska	2.6	8.2	14.3	25.1
Arizona	22.1	63.1	119.4	204.6
Arkansas	94.5		275.2	369.7
California	521.8	1,125.7	675.9	2,323.4
Colorado	43.3	37.3	287.4	368.0
Connecticut	16.2	130.0	41.7	187.9
Delaware	4.2	14.7	36.1	55.0
District of Columbia	10.1	50.8	5.0	65.9
Florida	92.2	110.7	480.7	683.6
Georgia	156.5		869.0	1,025.5
Hawaii	4.9	34.8	23.0	62.7
Idaho	7.0	18.7	28.7	54.4
Illinois	80.5	486.8	239.0	806.3
Indiana	26.0	643.1	207.8	876.9
Iowa	30.3	82.1	123.3	235.7
Kansas	20.9	74.5	63.2	158.6
Kentucky	97.0	164.7	261.8	523.5
Louisiana	148.9		785.3	934.2
Maine	16.0	32.0	97.4	145.4
Maryland	31.8	144.0	87.0	262.8
Massachusetts	76.2	302.2	60.1	438.5
Michigan	70.2	351.9	224.3	646.4
Minnesota	21.2	124.5	174.6	320.3
Mississippi	110.4		696.2	806.6
Missouri	113.0		330.1	443.1
Montana	6.3	17.2	28.7	52.2
Nebraska	12.6	29.6	125.5	167.7
Nevada	8.2	7.5	21.3	37.0
New Hampshire	5.8	15.6	18.4	39.8
New Jersey	36.4	365.0	107.4	508.8
New Mexico	20.2	75.3	98.9	194.4
New York	156.6	1,366.3	456.4	1,979.3
North Carolina	83.0	123.0	754.6	960.6
North Dakota	6.2	14.1	76.6	96.9
Ohio	92.1	360.6	347.1	799.8
Oklahoma	104.7	120.2	141.3	366.2
Oregon	16.2	66.1	61.2	143.5
Pennsylvania	88.6	91.9	454.3	634.8
Rhode Island	7.7	56.9	2.6	67.2
South Carolina	37.4		453.4	490.8
South Dakota	6.2	21.5	79.7	107.4
Tennessee	107.8		634.0	741.8
Texas	285.5	216.1	1,019.9	1,521.5
Utah	11.4	20.4	23.3	55.1
Vermont	7.1	20.6	19.1	46.8
Virginia	22.8	142.6	265.9	431.3
Washington	40.6	153.7	118.0	312.3
West Virginia	20.4	63.5	191.4	275.3
Wisconsin	29.9	105.0	103.5	238.4
Wyoming	2.9	5.6	11.5	20.0
Guam	.4	2.5	.5	3.4
Puerto Rico	50.0		750.0	800.0
Virgin Islands	.8	.8	.5	2.1

## Appendix I

### Description of the current population survey<sup>1</sup>

The estimates are based on data obtained in the Current Population Survey of the Bureau of the Census. Most of the data were collected in March 1969 though some tables contain data collected in March of other years. For 1967 through 1969 the sample is spread over 449 areas comprising 863 counties and independent cities, with coverage in each of the 50 States and the District of Columbia. Approximately 50,000 households are designated in the Current Population Survey for interview each month. Of this number, 2,250 occupied units, on the average, are visited but interviews are not obtained because the occupants are not found at home after repeated calls or are unavailable for some other reason. In addition to the 50,000 there are also about 8,500 sample units in an average month which are visited but are found to be vacant or otherwise not to be enumerated. For the years prior to 1967, the sample was spread over fewer areas with fewer interviewed households. Prior to the March 1966 survey, income data were collected from only 75 percent of the households included in the CPS. See *Current Population Reports*, Series P-23, No. 22, "Concepts and Methods Used in Manpower Statistics from the Current Population Survey," June 1967, pp. 7-10, for more information about the sample design.

The estimation procedure used in this survey involved the inflation of the weighted sample results to independent estimates of the civilian noninstitutional population of the United States by age, race, and sex. These independent estimates were based on statistics from the 1960 Census of Population; statistics of births, deaths, immigration, and emigration; and statistics on the strength of the Armed Forces. To these totals were added the population in the Armed Forces living off post or with their families on post. A further adjustment was made so that all members of a household got the same weight while at the same time leaving unchanged the estimates for certain basic labor force categories.

Since the estimates in this report are based on a sample, they differ somewhat from the figures that would have been obtained from a complete census, using the same schedules, instructions, and enumerators.

<sup>1</sup> Extracted from "Income in 1968 of Families and Persons in the United States" *Current Population Reports*, Series P 60, No. 66, Page 12. Published by the Bureau of the Census, U.S. Department of Commerce.

Particular care should be exercised in the interpretation of figures based on relatively small numbers of cases as well as small differences between figures. As in any survey work, the results are subject to errors of response and non-reporting and to sampling variability.

In most cases the schedule entries for income are based on memory rather than on records, and in the majority of cases on the memory or knowledge of one persons, usually the wife of the family head. The memory factor in data derived from field surveys of income probably produces underestimates because the tendency is to forget minor or irregular sources of income. Other errors of reporting are due to misrepresentation or to misunderstanding as to the scope of the income concept.

## Appendix II

### The effect of rising unemployment on costs of the Family Assistance Act (Summary)

The Labor Department has made a preliminary estimate of the increased expenditures under the Family Assistance Act resulting from rising unemployment. The estimates are as follows:

<i>Increase in unemployment rates:</i>	<i>Dollar increases in FAP payments (Millions)</i>
1.0 -----	\$ 100
2.0 -----	200
3.0 -----	300

### Reason increases are small

Although unemployment almost always results in some loss of income to the individual worker and his family, in only rare instances does it drive family income below the poverty line (or in this case below the FAP cutoff). There are a number of reasons for this.

1. Even in a recessionary year, such as 1961, unemployment for any given worker tends to be of comparatively short duration. In 1961, there were 6 million married men (wife present) who experienced unemployment at some time during the year. Counting all spells, about half were unemployed for 10 weeks or less. Only 14 percent were out of work for half the year or longer.

2. The kinds of workers affected by cyclical unemployment are not typically those with earnings close to the poverty line. Rather, they are workers from manufacturing industries and construction, where hourly earnings are relatively high. Therefore, the annual earnings of such workers, and the total incomes of their families, could remain well above the FAP cutoffs even if they suffer as much as 2 or 3 months of unemployment. Most of that unemployment will be covered by Unemployment Insurance.

3. The most important determinant of family income, among families with dependent children, is the earnings level of the family head. When unemployment goes up, family heads are likely to be hit relatively the hardest, but not all the additional unemployed will be heads of families with children. Many of them will be unrelated individuals, wives or other relatives of the head, or heads of childless families. Some will be the heads of families already eligible for FAP. *It is only those family heads with children whose incomes were modestly above the FAP line, and whose incomes would be driven below the FAP line by unemployment, that are reflected\* in the estimates of additional eligible families.*

*The Derivation of the Estimates* (See attached technical paper for full details.\*)

The estimates were derived by examining the pattern of unemployment rates during the 1960's, selecting 2 years when unemployment was considerably higher than in the 1966-69 period, and then utilizing the work experience data for those years to recalculate family incomes and the FAP population as of 1968.

1. The years 1961 (unemployment rate of 6.7 percent) and 1963 (5.7 percent) were selected as representative of high, or at least higher, unemployment situations. These provided estimates of the impact of a 2-percentage point and a 3-percentage point increase in the unemployment rate. The 1-percentage point result was arrived at by interpolation.

2. The next step was to determine what would happen to family income-distributions if the work experience distribution of family heads (i.e. weeks worked, and whether full-time or part-time) for 1961 and 1963 prevailed in 1968. A new 1968 family income distribution was derived, first by superimposing the 1961 pattern; and then the 1963 pattern, of heads' work experience. This produced more low income families and fewer high income families because it reduced the number of year-round full-time workers and increased the number of part-year and part-time workers.

3. The assumption was made that the net change at each income level between the actual 1968 estimate and the derived estimate would be allocated only to families headed by males under age 65 because this is the group most vulnerable to losses in employment and earnings as a result of cutbacks in economic activity. Within this broad group, the change at each income level was allocated proportionately among family groups of different sizes, with and without children.

4. Once a new set of family income distributions by family size and composition had been created, it was possible to estimate the impact on the FAP population. By interpolation within income classes, i.e., \$3,320 for a family of 3; \$3,920 for a family of 4, etc., it was possible to estimate how many families would be included. Only

\*See p. 39.

the minimum Federal payment was considered, not the State supplement.

5. The method produced estimates of the FAP population under 1961 and 1963 employment conditions which could be compared with 1968 estimates derived by the same general procedures. These comparisons were then converted to ratios and moved forward to 1971.

The principal limitations of the method is that it makes no explicit allowance for other economic developments, associated with rising unemployment, which have an effect on family income. Among these are cutbacks in overtime and scheduled hours, which would be offset by increased payments under UC, SUB, and other transfer programs. Also, the method takes no account of the possible loss of jobs among other family members or, on the other hand, the possible increase in the labor force activity of secondary workers who are motivated to offset the head's loss of earnings. We believe these and other subtle cross-currents can only be measured through a complex micro model.

### **Effect of Increased Unemployment on Family Assistance Program, Beneficiaries and Cost**

The first-year cost of the Family Assistance Program, assuming that it were to be operational during calendar year 1971, has been estimated at \$4.4 billion. There would be an average annual payment of \$981 to 3,857,000 families with dependent children. These estimates were developed by the Urban Institute using data from the Survey of Economic Opportunity of March 1967 (which measure the income and poverty status of the population as of calendar year 1966), which were subsequently aged or projected to 1971. The unemployment rate implicit in these estimates was 3.8 percent, the annual average rate for 1966. The unemployment rate went down further to 2.5 percent in 1969 but it has been climbing unevenly for the past few months, reaching a seasonally adjusted rate of 4.4 percent in March 1970. Table A below shows the annual average unemployment rates since 1960.

*Table A. Rate of unemployment 1960 to date*

1960 .....	5.5	1966 .....	3.8
1961 .....	6.7	1967 .....	3.8
1962 .....	5.5	1968 .....	3.6
1963 .....	5.7	1969 .....	3.5
1964 .....	5.2	First quarter 1970 .....	4.2
1965 .....	4.5		

Source: U.S. Bureau of Labor Statistics.

Looking at the entire period since World War II, we find a range from a low of 2.9 percent in 1953 to a high of 6.8 percent in 1958.

Recent trends have naturally stimulated questions about the pos-

sible impact of higher unemployment on the coverage and cost of the FAP program. However, it is not possible to make a direct connection between the unemployment rate and FAP because unemployment is measured as of a point in time (workseeking activity within a 4-week period) whereas FAP eligibility, as currently estimated, depends mainly on a family's total income during an entire calendar year. Moreover, not all unemployment is equally important with respect to losses of income. Many studies have shown that by far the most significant factor is what happens to the employment and earnings of the family head. For these reasons, we have used the unemployment rate only indirectly as an indicator of general employment and economic conditions. We have used the rate as a means of selecting two other years - 1961 when the rate was 6.7 percent and 1963 when it was 5.7 percent - for a test of the impact on family income (and consequently on the FAP) of a less favorable distribution of weeks worked and hours worked by family heads. The assumption was made that a return to a 6.7 percent unemployment rate would result in the same distribution of weeks worked full time and part time by family heads as that prevailing in 1961, and that a rise to 5.7 percent unemployment would produce the 1963 pattern of work experience for family heads. The distributions for the 3 years are shown in Table B below.

TABLE B.—WORK EXPERIENCE OF FAMILY HEADS

	Percent distribution			Numbers in thousands		
	1968	1963	1961	1968	1963 <sup>1</sup>	1961
Total	100.0	100.0	100.0	49,622	49,622	49,622
Full time:						
50 to 52 weeks	67.4	64.7	62.3	33,455	32,085	30,864
27 to 49 weeks	10.1	11.5	13.3	5,007	5,728	6,600
1 to 26 weeks	3.5	3.8	4.6	1,730	1,876	2,283
Part time:						
50 to 52 weeks	2.3	2.2	2.6	1,117	1,115	1,290
27 to 49 weeks	1.2	1.4	1.4	614	710	695
1 to 26 weeks	1.8	2.2	2.5	880	1,115	1,241
Did not work at all	13.7	14.1	13.4	6,819	6,995	6,649

<sup>1</sup> Inflated to total with work experience in 1968.

Source: Current population survey, Bureau of the Census.

Family income data for calendar year 1968 are published by the work experience of the family head in 1968. The next step in the procedure was to re-weight the 1968 total family income distribution for all 19.6 million families headed by civilians, using the work experience patterns derived from 1963 and 1961 data. These re-weighted family income distribution can then be compared with the actual 1968 distributions in order to get a measure of the effect of less regularity of



work, which is in turn associated with higher unemployment and generally lower levels of economic activity. The results are shown in Table C below. The table stops at \$6,000 because a family of 7 persons phases out of the FAP program at \$5,720 (assuming no State supplement). Published family income distribution are not available for larger-sized families.

TABLE C.—EFFECT ON 1968 FAMILY INCOME DISTRIBUTION OF USING 1963 AND 1961 PATTERNS OF FAMILY HEADS' WORK EXPERIENCE

	Percent distribution			Number of families in thousands		
	1968 work experi- ence	1963 work experi- ence	1961 work experi- ence	1968 actual	Net difference from reweighted distri- bution based on—	
					1963 work experi- ence	1961 work experi- ence
Under \$6,000, total	29.1	30.1	30.6	14,467	+475	+718
Under \$1,000	1.8	1.9	1.9	905	+39	+53
\$1,000 to \$1,499	1.5	1.6	1.6	759	+34	+53
\$1,500 to \$1,999	2.0	2.0	2.1	970	+45	+53
\$2,000 to \$2,499	2.6	2.8	2.8	1,306	+64	+84
\$2,500 to \$2,999	2.5	2.6	2.6	1,219	+51	+71
\$3,000 to \$3,499	3.2	3.3	3.4	1,570	+62	+98
\$3,500 to \$3,999	2.9	3.0	3.1	1,442	+62	+85
\$4,000 to \$4,999	5.9	6.1	6.2	2,648	+71	+136
\$5,000 to \$5,999	6.7	6.8	6.9	3,348	+47	+85

Source: Current Population Survey, Bureau of the Census. Estimates prepared by Bureau of Labor Statistics.

The procedure has obvious limitations in that it does not attempt to measure the impact on family income within any given category of weeks worked. That is, the computations involve retaining the 1968 family income distribution within each work experience of head grouping, but changing the overall work experience weights as described earlier. It is not clear, however, whether this oversimplification results in a net overstatement or net understatement of the impact on family income. On the one hand, the procedure does not reflect any losses of earnings of other family members who might lose their jobs in a period of rising unemployment, but neither does the procedure reflect any possible increase in the work effort of other family members in order to compensate for the loss of the head's earnings. These offsetting influences will be studied further but it should be noted that their overall impact on family income may turn out to be relatively small. In 1968 nearly 80 percent of the aggregate income of husband-wife families was accounted for by the income of the head. The procedure also fails to reflect prospective cutbacks in overtime and in the scheduled workweek (unless it results in part-

time work for long periods of time) which invariably accompany rising unemployment and thereby reduce weekly and annual earnings. But again, in the opposite direction, the procedure does not allow for the receipt of unemployment insurance, SUB, and other payments to families arising directly or indirectly from the disemployment of the family head. Presumably these influences will be taken account of in the HEW model now being developed.

Not all of the families added to the income brackets under \$6,000--718,000 using the 1961 work experience patterns and 575,000 using 1963--would necessarily be eligible for the Family Assistance Program. The number added would depend on the presence of dependent children, and on family size in relation to family income. Here again a number of assumptions were made, as follows:

1. All of the additional low income families were assumed to be headed by men because male family heads are much more likely than female heads to be in the labor force year round and are therefore more vulnerable to the loss of earnings as a result of unemployment.

2. At each income interval up to \$6,000 the additional families were assumed to be distributed proportionately among all family size groups, with and without children, except for families headed by men 65 years of age and over. The latter were assumed to be unaffected with respect to family income because retirement income is more important than income from employment in that age group.

3. The original income distributions by family size and number of children, for families headed by men under age 65 were then re-estimated separately for the 1963-based and the 1961-based work experience, incorporating the additional low-income families.

4. A decision was then made as to whether the additional low-income families were to be added to FAP on the basis of 1) presence of children, and 2) income in relation to FAP cutoffs by family size--

2 person families-- \$2,720

3 person families-- \$3,320

4 person families-- \$3,920

5 person families-- \$4,520

6 person families-- \$5,120

7 or more person families-- \$6,000 (although 7-person families phase out at \$5,720, we allowed an extra margin to take account of larger families for whom separate data are not available)

5. FAP eligibility was determined on the basis of the Federal minimum. The available data did not permit us to take account of State supplements. The results are summarized in Table D on the following page.

TABLE D.—ESTIMATED NUMBER OF FAMILIES ADDED TO LOW-INCOME BRACKETS AND TO FAP

Family income bracket	Assuming 1963 work experience of family head				Assuming 1961 work experience of family head			
	Total added to income bracket	Not added to FAP			Total added to income bracket	Not added to FAP		
		Added to FAP	No children under 18	Income exceeds FAP cutoff		Added to FAP	No children under 18	Income exceeds FAP cutoff
Total under \$6,000 ..	475	207	191	77	718	296	286	136
Under \$1,000 ..	39	20	19		53	27	26	
\$1,000 to \$1,499 ..	34	17	17		53	27	26	
\$1,500 to \$1,999 ..	45	24	21		53	28	25	
\$2,000 to \$2,499 ..	64	39	25		84	51	33	
\$2,500 to \$2,999 ..	51	32	19		71	44	27	
\$3,000 to \$3,499 ..	62	32	26	4	98	31	34	20
\$3,500 to \$3,999 ..	62	23	25	14	85	31	34	20
\$4,000 to \$4,999 ..	71	15	24	32	136	29	46	61
\$5,000 to \$5,999 ..	47	5	15	27	85	9	28	48

An upward adjustment was then considered to take account of the fact that the use of summary CPS income tabulations results in an understatement of the overall number of male-headed FAP families for 1968—2.2 million as compared with an earlier estimate of 3.1 million based on the Urban Institute micro model. However, for 1971, the official DHEW estimate is down to 2.3 million, so the adjustment was considered unnecessary.

Using the HEW figures on average FAP payment to male-headed families at each family income interval, it was possible to estimate that the additional cost, in terms of direct benefits paid to families, would be about \$300 million if unemployment went up by 3 percentage points and about \$200 million if unemployment went up by 2 percentage points. No attempt was made to measure indirect costs such as additional training needs.

The final estimates are summarized in Table E, rounded to reflect the imprecision of the estimation procedures.

TABLE E.—EFFECT OF HIGHER UNEMPLOYMENT RATES ON FAP

Rise in unemployment rate from 3.8	Eligible families (thousands)	Cost (millions of dollars)
1 percentage point...	100	100
2 percentage points...	200	200
3 percentage points...	300	300

The 1 percentage-point effect is simply a rough interpolation. It was not estimated directly because there was no year in which the unemployment rate averaged 4.8 percent. In 1965, when it was 4.5 percent, the work experience distributions for family heads were very close to those of 1968. It is unlikely that use of the 1965 weights together with the other assumptions in our procedure would have added as many as 100,000 eligible families.

**COMPARISON OF BENEFITS AVAILABLE FROM SE-  
LECTED INCOME-TESTED PROGRAMS UNDER FAMILY  
ASSISTANCE AND CURRENT LAW—DEPARTMENT OF  
HEALTH, EDUCATION, AND WELFARE**

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TABLE 1—FAMILY ASSISTANCE

(Excludes public housing which will not be available to 94 percent of family assistance families nationwide.)  
Benefits potentially available to 4-person female-headed family in Phoenix, Ariz.

Earnings	FAP benefit <sup>1</sup>	State supplement	Total gross money income	Federal, State, and social security taxes <sup>2</sup>	Food stamp bonus <sup>3</sup>	Medical insurance bonus <sup>3</sup>	Total net money and in-kind
\$0	\$1,600	\$608	\$2,208		\$646	\$470	\$3,324
720	1,600	608	2,928	\$37	417	434	3,742
1,000	1,460	561	3,021	52	388	428	3,785
2,000	960	394	3,354	104	282	395	3,927
3,000	460	227	3,687	156	176	361	4,068
4,000		39	4,039	246	64	326	4,183
5,000			5,000	457		155	4,698
6,000			6,000	689			5,311
7,000			7,000	944			6,056

<sup>1</sup> Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses and a single deduction for Federal income taxes.

<sup>2</sup> State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes.

<sup>3</sup> Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

<sup>4</sup> Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas

within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

<sup>5</sup> The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500 and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

TABLE 2—FAMILY ASSISTANCE

(Excludes public housing which will not be available to 94 percent of family assistance families nationwide.)  
Benefits potentially available to 4-person female-headed family in Wilmington, Del.

Earnings	FA <sup>1</sup> benefit <sup>1</sup>	State supplement <sup>2</sup>	Total gross money income	Federal, State, and social security taxes <sup>3</sup>	Food stamp bonus <sup>4</sup>	Medical insurance bonus <sup>3</sup>	Total net money and in-kind
\$0	\$1,600	\$188	\$1,788		\$780	\$491	\$3,059
720	1,600	188	2,508	\$37	551	455	3,477
1,000	1,460	141	2,601	52	521	450	3,520
2,000	960		2,960	104	407	432	3,695
3,000	460		3,460	156	248	384	3,936
4,000			4,000	249	76	330	4,157
5,000			5,000	460		155	4,695
6,000			6,000	699			5,301

<sup>1</sup> Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses and a single deduction for Federal income taxes.

<sup>2</sup> State supplementary payments are based on current payment levels with a 67 percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes.

<sup>3</sup> Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

<sup>4</sup> Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas

within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

<sup>5</sup> The assumption here is that the family health insurance program would replace the present medicare program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500 and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

TABLE 3—FAMILY ASSISTANCE

(Excludes public housing which will not be available to 94 percent of family assistance families nationwide.)  
Benefits potentially available to 4-person female-headed family in Chicago, Ill.

Earnings	FAP benefit <sup>1</sup>	State supplement <sup>2</sup>	Total gross money income	Federal, State, and social security taxes <sup>3</sup>	Food stamp bonus <sup>4</sup>	Medical insurance bonus <sup>5</sup>	Total net money and in-kind
\$0	\$1,600	\$1,556	\$3,156		\$345	\$414	\$3,915
720	1,600	1,556	3,876	\$37	116	342	4,297
1,000	1,460	1,509	3,969	52	86	333	4,336
2,000	960	1,342	4,302	104		300	4,498
3,000	460	1,175	4,635	156		246	4,725
4,000		987	4,987	236		158	4,909
5,000		416	5,416	443		51	5,024
6,000			6,000	669			5,331
7,000			7,000	912			6,088
8,000			8,000	1,134			6,866
9,000			9,000	1,369			7,631

<sup>1</sup> Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses and a single deduction for Federal income taxes.

<sup>2</sup> State supplementary payments are based on current payment levels with a 67 percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes.

<sup>3</sup> Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

<sup>4</sup> Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas

within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

<sup>5</sup> The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500 and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.



TABLE 4—FAMILY ASSISTANCE

(Excludes public housing which will not be available to 94 percent of family assistance families nationwide.)  
Benefits potentially available to 4-person female-headed family in New York, N.Y.

Earnings	FAP benefit <sup>1</sup>	State supplement <sup>2</sup>	Total gross money income	Federal, State, and social security taxes <sup>3</sup>	Food stamp bonus <sup>4</sup>	Medical insurance bonus <sup>5</sup>	Total net money and in-kind
\$0	\$1,600	\$2,156	\$3,756		\$154	\$354	\$4,264
720	1,600	2,156	4,476	\$37		382	4,721
1,000	1,460	2,109	4,569	52		263	4,780
2,000	960	1,942	4,902	104		180	4,978
3,000	460	1,775	5,235	156		96	5,175
4,000		1,587	5,587	237		8	5,358
5,000		1,016	6,016	460			5,556
6,000		459	6,459	703			5,756
7,000			7,000	971			6,029
8,000			8,000	1,219			6,781

<sup>1</sup> Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the first 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses and a single deduction for Federal income taxes.

<sup>2</sup> State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes.

<sup>3</sup> Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedule. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

<sup>4</sup> Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas

within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

<sup>5</sup> The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500 and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

TABLE 5—FAMILY ASSISTANCE

(Includes public housing which will be available to only 6 percent of family assistance families nationwide.)  
Benefits potentially available to 4-person female-headed family in Phoenix, Ariz.

Earnings	FAP benefit <sup>1</sup>	State supplement <sup>2</sup>	Total gross money income	Federal, State, and social security taxes <sup>3</sup>	Food stamp bonus <sup>4</sup>	Medical insurance bonus <sup>5</sup>	Total net money and in-kind	Housing bonus to family under proposed 1970 Housing Act <sup>6</sup>	Total net money and in-kind
\$0	\$1,600	\$608	\$2,208		\$646	\$470	\$3,324	\$1,118	\$4,442
720	1,600	608	2,928	\$37	417	434	3,742	974	4,716
1,000	1,460	561	3,021	52	388	428	3,785	956	4,741
2,000	960	394	3,354	104	282	395	3,927	889	4,816
3,000	460	227	3,687	156	176	361	4,068	823	4,891
4,000		39	4,039	246	64	326	4,183	740	4,923
5,000			5,000	457		155	4,698	500	5,198
6,000			6,000	689			5,311	250	5,561
7,000			7,000	944			6,056		6,056

<sup>1</sup> Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

<sup>2</sup> State supplementary payments are based on current payment levels with a 67 percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes.

<sup>3</sup> Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedule. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

<sup>4</sup> Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

<sup>5</sup> The assumption here is that the family health insurance program would replace the present medicare program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value

of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500 and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

<sup>6</sup> The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S.3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20 to 25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rent assumed in Phoenix is \$1,500.

TABLE 6—FAMILY ASSISTANCE

(Includes public housing which will be available to only 6 percent of family assistance families nationwide.)  
Benefits potentially available to 4-person female-headed family in Wilmington, Del.

Earnings	FAP benefit <sup>1</sup>	State supplement <sup>2</sup>	Total gross money income	Federal, State, and social security taxes <sup>3</sup>	Food stamp bonus <sup>4</sup>	Medical insurance bonus <sup>5</sup>	Total net money and in-kind	Housing bonus to family under proposed 1970 Housing Act <sup>6</sup>	Total net money and in-kind
\$0	\$1,600	\$188	\$1,788		\$780	\$491	\$3,059	\$722	\$3,781
720	1,600	188	2,508	\$37	551	455	3,477	578	4,055
1,000	1,460	141	2,601	52	521	450	3,520	560	4,080
2,000	960		2,960	104	407	432	3,695	488	4,183
3,000	460		3,460	156	248	384	3,936	388	4,324
4,000			4,000	249	76	330	4,157	270	4,427
5,000			5,000	460		155	4,695	20	4,715
6,000			6,000	699			5,301		5,301

<sup>1</sup> Family assistance benefits are \$1,600 for a family of four with no other income, based on \$500 each for the first two persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses and a single deduction for Federal income taxes.

<sup>2</sup> State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes.

<sup>3</sup> Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective Jan. 1971.

<sup>4</sup> Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

<sup>5</sup> The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value

of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500 and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

<sup>6</sup> The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rent assumed in Wilmington is \$1,020.

TABLE 7 FAMILY ASSISTANCE

(Includes public housing which will be available to only 6 percent of family assistance families nationwide.)  
Benefits potentially available to 4-person female-headed family in Chicago, Ill.

Earnings	FAP benefit <sup>1</sup>	State supplement <sup>2</sup>	Total gross money income	Federal, State, and social security taxes <sup>3</sup>	Food stamp bonus <sup>4</sup>	Medical insurance bonus <sup>5</sup>	Total net money and in-kind	Housing bonus to family under proposed 1970 Housing Act <sup>6</sup>	Total net money and in-kind
\$0	\$1,600	\$1,556	\$3,156		\$345	\$414	\$3,915	\$1,349	\$5,264
720	1,600	1,556	3,876	\$37	116	342	4,297	1,201	5,498
1,000	1,460	1,509	3,969	52	86	333	4,336	1,178	5,514
2,000	960	1,342	4,302	104		300	4,498	1,095	5,593
3,000	460	1,175	4,635	156		246	4,725	1,011	5,736
4,000		987	4,987	236		158	4,909	923	5,832
5,000		416	5,416	443		51	5,024	816	5,840
6,000			6,000	669			5,331	670	6,001
7,000			7,000	912			6,088	420	6,508
8,000			8,000	1,134			6,866	170	7,036
9,000			9,000	1,369			7,631		7,631

<sup>1</sup> Family assistance benefits are \$1,600 for a family of four with no other income, based on \$500 each for the first two persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

<sup>2</sup> State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes.

<sup>3</sup> Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective Jan. 1971.

<sup>4</sup> Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

<sup>5</sup> The assumption here is that the family health insurance program would replace the present medicare program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed:

0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500 and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

<sup>6</sup> The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rent assumed in Chicago is \$1,920.

TABLE 8—FAMILY ASSISTANCE

(Includes public housing which will be available to only 6 percent of family assistance families nationwide.)  
Benefits potentially available to 4-person female-headed family in New York, N.Y.

Earnings	FAP benefit <sup>1</sup>	State supplement <sup>2</sup>	Total gross money income	Federal, State, and social security taxes <sup>3</sup>	Food stamp bonus <sup>4</sup>	Medical insurance bonus <sup>5</sup>	Total net money and in-kind	Housing bonus to family under proposed 1970 Housing Act <sup>6</sup>	Total net money and in-kind
\$0	\$1,600	\$2,156	\$3,756		\$154	\$354	\$4,264	\$989	\$5,253
720	1,600	2,156	4,476	\$37		282	4,721	811	5,532
1,000	1,460	2,109	4,569	52		263	4,780	788	5,568
2,000	960	1,942	4,902	104		180	4,978	705	5,683
3,000	460	1,775	5,235	156		96	5,175	621	5,796
4,000		1,587	5,587	237		8	5,358	533	5,891
5,000		1,016	6,016	460			5,556	426	5,982
6,000		459	6,459	703			5,756	315	6,071
7,000			7,000	971			6,029	180	6,209
8,000			8,000	1,219			6,781		6,781

<sup>1</sup> Family assistance benefits are \$1,600 for a family of four with no other income, based on \$500 each for the first two persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses and a single deduction for Federal income taxes.

<sup>2</sup> State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes.

<sup>3</sup> Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective Jan. 1971.

<sup>4</sup> Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

<sup>5</sup> The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value

of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500 and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

<sup>6</sup> The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rent assumed in New York is \$1,680.

TABLE 9—FAMILY ASSISTANCE

(Includes public housing which will be available to only 6 percent of family assistance families nationwide.)  
Benefits potentially available to 4-person male-headed family in Chicago, Ill.

Earnings	FAP benefit <sup>1</sup>	State supplement <sup>2</sup>	Total gross money income	Federal, State, and social security taxes <sup>3</sup>	Food stamp bonus <sup>4</sup>	Medical insurance bonus <sup>5</sup>	Total net money and in-kind	Housing bonus to family under proposed 1970 Housing Act <sup>6</sup>	Total net money and in-kind
\$0	\$1,600	N.A.	\$1,600		\$840	\$500	\$2,940	\$1,600	\$4,540
720	1,600	N.A.	2,320	\$37	611	464	3,358	1,456	4,814
1,000	1,460	N.A.	2,460	52	566	457	3,431	1,428	4,859
2,000	960	N.A.	2,960	104	407	432	3,695	1,328	5,023
3,000	460	N.A.	3,460	156	248	384	3,936	1,228	5,164
4,000		N.A.	4,000	236	76	330	4,170	1,095	5,265
5,000		N.A.	5,000	441		155	4,714	845	5,559
6,000		N.A.	6,000	655			5,345	595	5,940
7,000		N.A.	7,000	880			6,120	345	6,465
8,000		N.A.	8,000	1,093			6,907	95	7,002
9,000		N.A.	9,000	1,320			7,680		7,680

N.A. Not applicable.

<sup>1</sup> Family assistance benefits are \$1,600 for a family of four with no other income, based on \$500 each for the first two persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses and a single deduction for Federal income taxes.

<sup>2</sup> State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes.

<sup>3</sup> Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective Jan. 1971.

<sup>4</sup> Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

<sup>5</sup> The assumption here is that the family health insurance program would replace the present medicare program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed: 0

percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500 and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

<sup>6</sup> The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3659). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,000, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rent assumed in Chicago is \$1,920.

TABLE 10—CURRENT LAW

Benefits potentially available to 4-person female-headed recipient families in Phoenix, Ariz.

Earnings	AFDC <sup>1</sup>	Total money income	Federal income tax <sup>2</sup>	State income tax <sup>3</sup>	Social security tax <sup>4</sup>	Net money income	Food bonus <sup>5</sup>	Federal portion of average Medicaid benefit to family <sup>6</sup>	Total money and in-kind	Public housing bonus to family <sup>7</sup>	Total
\$0.....	\$2,208	\$2,208				\$2,208	\$441	(*)	\$2,649	\$1,078	\$3,727
720.....	2,208	2,928			\$35	2,893	441	(*)	3,334	916	4,250
1,000.....	2,208	3,208			48	3,160	441	(*)	3,601	853	4,454
2,000.....	1,779	3,779			96	3,683	441	(*)	4,124	725	4,849
3,000.....	1,319	4,319			144	4,175	441	(*)	4,616	603	5,219
4,000.....	858	4,858	\$140	\$8	192	4,518	441	(*)	4,959	482	5,441
5,000.....	398	5,398	316	23	240	4,819	441	(*)	5,260	360	5,620
6,000.....		6,000	528	37	288	5,104		(*)	5,104	<sup>8</sup> 360	5,464
7,000.....		7,000	706	58	336	5,900		(*)	5,900	<sup>8</sup> 100	6,000
8,000.....		8,000	902	79	374	6,645		(*)	6,645		6,645

<sup>1</sup> State supplement is based on the following maximum payments: New York City—\$3,576 (adjusted for rent as paid to public housing); Chicago—\$2,976 (adjusted for rent as paid to public housing); Delaware—\$1,788; Arizona—\$2,208. Work-related expenses were based on estimated State averages of \$708 in Chicago, \$900 in New York; and general standard practice of \$480 in Phoenix and \$660 in Wilmington.

<sup>2</sup> Federal tax based on current schedule, including surcharge.

<sup>3</sup> State tax based on current schedules.

<sup>4</sup> Social Security tax based on 4.8 percent of earnings up to \$7,800.

<sup>5</sup> Food bonus based on value of surplus commodities (Phoenix, Wilmington, and New York City) or food stamp bonus (Chicago), based on local eligibility schedules.

<sup>6</sup> Medicaid benefit shown is the Federal portion of the average benefit for all AFDC families in State. Individual families may receive more or less depending upon medical needs. State eligibility standards apply.

<sup>7</sup> Public housing bonus for New York and Chicago was calculated on the basis of the value of private market rentals less the maximum rent allotment for AFDC recipients (\$90 in Chicago and \$105 in New York).

In Phoenix and Wilmington flat AFDC grants are generally given, with no variation for rent. Hence, bonus equals the difference between rent paid and equivalent private market rents as calculated by HUD. (See footnote 6, Family Assistance Tables, for method used by HUD in determining equivalent private market rentals.) Rents in Phoenix and Wilmington assume operation of the Brooke amendment. Even where a welfare rent schedule is present, it was assumed that the Brooke amendment would govern. Net income was computed for families in each city based on exemptions and deductions applied by each local authority's adopted policy, as revealed in HUD central files for public housing.

<sup>8</sup> No Medicaid program.

<sup>9</sup> Above continued occupancy limits, but family may be allowed stay in public housing until it finds private housing.

TABLE 11.—CURRENT LAW

Benefits potentially available to 4-person female-headed recipient families in Wilmington, Del.

Earnings	AFDC <sup>1</sup>	Total money income	Federal income tax <sup>2</sup>	State income tax <sup>3</sup>	Social security tax <sup>4</sup>	Net money income	Food bonus <sup>5</sup>	Federal portion of average medicare benefit to family <sup>6</sup>	Total money and in-kind	Public housing bonus to family <sup>7</sup>	Total
\$0	\$1,788	\$1,788				\$1,788	\$661	\$219	\$2,668	\$693	\$3,361
720	1,788	2,508			\$35	2,473	661	219	3,353	531	3,884
1,000	1,788	2,788			48	2,740	661	219	3,620	468	4,088
2,000	1,788	3,788			96	3,692	661	219	4,572	243	4,815
3,000	1,731	4,731			144	4,587	661	219	5,467	31	5,498
4,000	1,064	5,064	\$140	\$12	192	4,720	661	219	5,600		5,600
5,000	397	5,397	316	26	240	4,815	661	219	5,695		5,695
6,000		6,000	528	51	288	5,133			5,133		5,133

Note: Only 29 percent of all AFDC recipients in Wilmington live in public housing.

<sup>1</sup> State supplement is based on the following maximum payments: New York City—\$3,576 (adjusted for rent as paid to public housing); Chicago—\$2,976 (adjusted for rent as paid to public housing); Delaware—\$1,788; Arizona—\$2,208. Work-related expenses were based on estimated State averages of \$708 in Chicago, \$900 in New York; and general standard practice of \$480 in Phoenix and \$660 in Wilmington.

<sup>2</sup> Federal tax based on current schedule, including surcharge.

<sup>3</sup> State tax based on current schedules.

<sup>4</sup> Social Security tax based on 4.8 percent of earnings up to \$7,800.

<sup>5</sup> Food bonus based on value of surplus commodities (Phoenix, Wilmington, and New York City) or food stamp bonus (Chicago), based on local eligibility schedules.

<sup>6</sup> Medicare benefit shown is the Federal portion of the average benefit for all AFDC families in State. Individual families may receive more or less depending upon medical needs. State eligibility standards apply.

<sup>7</sup> Public housing bonus for New York and Chicago was calculated on the basis of the value of private market rentals less the maximum rent allotment for AFDC recipients (\$90 in Chicago and \$105 in New York).

In Phoenix and Wilmington flat AFDC grants are generally given, with no variation for rent. Hence, bonus equals the difference between rent paid and equivalent private market rents as calculated by HUD. (See footnote 6, Family Assistance Tables, for method used by HUD in determining equivalent private market rentals.) Rents in Phoenix and Wilmington assume operation of the Brooke amendment. Even where a welfare rent schedule is present, it was assumed that the Brooke amendment would govern. Net income was computed for families in each city based on exemptions and deductions applied by each local authority's adopted policy, as revealed in HUD central files for public housing.



TABLE 12—CURRENT LAW

Benefits potentially available to 4-person female-headed recipient families in Chicago, Ill.

Earnings	AFDC <sup>1</sup>	Total money income	Federal income tax <sup>2</sup>	State income tax <sup>3</sup>	Social security tax <sup>4</sup>	Net money income	Food bonus <sup>5</sup>	Federal portion of average medicaid benefit to family <sup>6</sup>	Total money and in-kind	Public housing bonus to family <sup>7</sup>	Total
\$0	\$2,976	\$2,976				\$2,976	\$480	\$395	\$3,851	\$840	\$4,691
720	2,976	3,696			\$35	3,661	360	395	4,416	840	5,256
1,000	2,976	3,976			48	3,928	312	395	4,635	840	5,475
2,000	2,590	4,590			96	4,494	288	395	5,177	840	6,017
3,000	1,923	4,923			144	4,779	288	395	5,462	840	6,302
4,000	1,256	5,256	\$140		192	4,924	288	395	5,607	840	6,447
5,000	589	5,589	316	\$11	240	5,022	288	395	5,705	840	6,545
6,000		6,000	528	21	288	5,163			5,163	960	6,123
7,000		7,000	706	32	336	5,926			5,926	720	6,646
8,000		8,000	902	42	374	6,682			6,682	720	7,402
9,000		9,000	1,100	53	374	7,473			7,473		7,473

Note: Only 18 percent of all AFDC recipients in Chicago live in public housing.

<sup>1</sup> State supplement is based on the following maximum payments: New York City—\$3,576 (adjusted for rent as paid to public housing); Chicago—\$2,976 (adjusted for rent as paid to public housing); Delaware—\$1,788; Arizona—\$2,208. Work-related expenses were based on estimated State averages of \$708 in Chicago, \$900 in New York; and general standard practice of \$480 in Phoenix and \$660 in Wilmington.

<sup>2</sup> Federal tax based on current schedule, including surcharge.

<sup>3</sup> State tax based on current schedules.

<sup>4</sup> Social Security tax based on 4.8 percent of earnings up to \$7,800.

<sup>5</sup> Food bonus based on value of surplus commodities (Phoenix, Wilmington, and New York City) or food stamp bonus (Chicago), based on local eligibility schedules.

<sup>6</sup> Medicaid benefit shown is the Federal portion of the average benefit for all AFDC families in State. Individual families may receive more or less depending upon medical needs. State eligibility standards apply.

<sup>7</sup> Public housing bonus for New York and Chicago was calculated on the

basis of the value of private market rentals less the maximum rent allotment for AFDC recipients (\$90 in Chicago and \$105 in New York).

In Phoenix and Wilmington flat AFDC grants are generally given, with no variation for rent. Hence, bonus equals the difference between rent paid and equivalent private market rents as calculated by HUD. (See footnote 6, Family Assistance Tables, for method used by HUD in determining equivalent private market rentals.) Rents in Phoenix and Wilmington assume operation of the Brooke amendment. Even where a welfare rent schedule is present, it was assumed that the Brooke amendment would govern. Net income was computed for families in each city based on exemptions and deductions applied by each local authority's adopted policy, as revealed in HUD central files for public housing.

<sup>8</sup> Bonus increases above AFDC breakeven as families move from welfare to nonwelfare rent schedules.

<sup>9</sup> Above continued occupancy limits, but families would be allowed to stay, at higher rent, until other housing is located.

TABLE 13- CURRENT LAW

Benefits potentially available to 4-person female-headed recipient families in New York, N.Y.

Earnings	AFDC <sup>1</sup>	Total money income	Federal income tax <sup>2</sup>	State income tax <sup>3</sup>	Social security tax <sup>4</sup>	Net money income	Food bonus <sup>5</sup>	Federal portion of average medicaid benefit to family <sup>6</sup>	Total money and in-kind	Public housing bonus to family <sup>7</sup>	Total
\$0.	\$3,576	\$3,576				\$3,576	\$522	\$577	\$4,675	\$420	\$5,095
720.	3,576	4,296			\$35	4,261	522	577	5,360	420	5,780
1,000	3,382	4,382			48	4,334	522	577	5,433	420	5,853
2,000	2,715	4,715			96	4,619	522	577	5,718	420	6,138
3,000	2,048	5,048			144	4,904	522	577	6,003	420	6,423
4,000	1,381	5,381	\$140	\$1	192	5,048	522	577	6,147	420	6,567
5,000	714	5,714	316	28	240	5,130	522	577	6,229	420	6,649
6,000	47	6,047	528	55	288	5,176	522	577	6,275	420	6,695
7,000		7,000	706	91	336	5,867			5,867	720	6,587
8,000		8,000	902	127	374	6,597			6,597	720	7,317
9,000		9,000	1,100	170	374	7,356			7,356	(*)	7,356

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Note: Only 8 percent of all AFDC recipients in New York City live in public housing.

<sup>1</sup> State supplement is based on the following maximum payments: New York City—\$3,576 (adjusted for rent as paid to public housing); Chicago—\$2,976 (adjusted for rent as paid to public housing); Delaware—\$1,788; Arizona—\$2,208. Work-related expenses were based on estimated State averages of \$708 in Chicago, \$900 in New York; and general standard practice of \$480 in Phoenix and \$660 in Wilmington.

<sup>2</sup> Federal tax based on current schedule, including surcharge.

<sup>3</sup> State tax based on current schedules.

<sup>4</sup> Social Security tax based on 4.8 percent of earnings up to \$7,800.

<sup>5</sup> Food bonus based on value of surplus commodities (Phoenix, Wilmington, and New York City) or food stamp bonus (Chicago), based on local eligibility schedules.

<sup>6</sup> Medicaid benefit shown is the Federal portion of the average benefit for all AFDC families in State. Individual families may receive more or less depending upon medical needs. State eligibility standards apply.

<sup>7</sup> Public housing bonus for New York and Chicago was calculated on the

basis of the value of private market rentals less the maximum rent allotment for AFDC recipients (\$90 in Chicago and \$105 in New York).

In Phoenix and Wilmington flat AFDC grants are generally given, with no variation for rent. Hence, bonus equals the difference between rent paid and equivalent private market rents as calculated by HUD. (See footnote 6, Family Assistance Tables, for method used by HUD in determining equivalent private market rentals. (Rents in Phoenix and Wilmington assume operation of the Brooke amendment. Even where a welfare rent schedule is present, it was assumed that the Brooke amendment would govern. Net income was computed for families in each city based on exemptions and deductions applied by each local authority's adopted policy, as revealed in HUD central files for public housing.)

\* Above continued occupancy limits, but family would be allowed to stay until other housing is located. Bonus increases above AFDC breakeven as families move from welfare to nonwelfare rent schedules.

## PROPOSED ACTION IN AREAS OF SECRETARIAL DISCRETION

### SUMMARY

#### I. Department of Health, Education, and Welfare

Of 21 major areas of secretarial discretion in H.R. 16311, the Department of Health, Education, and Welfare proposes to eliminate discretion in 7 sections, reduce it in 4, and retain it in 10.

Section	Action	Description
1. 436(c)	Retain	The Secretary must retain discretion to set fee schedules for varying qualities of child care, regional cost differences, and other factors. (See detail, p. 61.)
2. 437(a)	Reduce	The reference to secretarial discretion is taken out, but he must retain the flexibility to list needed supportive services by regulation. (See detail, p. 61.)
3. 442(c)(1)	do	The period for redetermination of benefits is clarified and specified, restricting secretarial discretion. (See detail, p. 61.)
4. 442(c)(2)	Eliminate	The new language removes discretion completely. (See detail, p. 62.)
5. 442(c)(3)	Retain	There is no way to define in the language of the bill the peculiar wage arrangements or seasonal earnings which must be handled under this section. (See detail, p. 62.)
6. 442(d)	do	There is no equitable way to encompass all trades or businesses within the language of the bill. (See detail, p. 62.)
7. 443(b)(1)	do	Discretion is retained to permit regulations which can adjust limits to accommodate variables such as government subsidies under work-study and Neighborhood Youth Corps. (See detail, p. 63.)
8. 443(b)(2)	Eliminate	We recommend striking the references to secretarial discretion as unnecessary. (See detail, p. 63.)
9. 443(b)(3)	do	We recommend removing the area of discretion and cross-referencing to section 436(c). (See detail, p. 64.)
10. 443(b)(5)	do	We recommend defining a charitable agency by cross-reference to IRS code sections 501(c)(3) and (4). (See detail, p. 65.)
11. 444(a)(2)	Retain	We must retain the flexibility to define types of property essential to a family's self-support. (See detail, p. 65.)
12. 444(b)	do	We must retain the flexibility to treat different types of property and differing conditions. (See detail, p. 65.)
13. 445(b)	Reduce	We have eliminated the reference to secretarial discretion but still must define "regularly attending" in regulations. (See detail, p. 66.)

Section	Action	Description
14. 445(d)	Eliminate	We have eliminated the reference to secretarial discretion and will be guided by the constitutional implications of <i>Lewis v. Martin</i> and related cases. (See detail, p. 67.)
15. 446(a)(1)	do	We eliminate discretion by specifying when benefits must be paid. (See detail, p. 67.)
16. 446(a)(2)	Retain	We must retain the discretion of the Secretary to deal with the variety of such cases. (See detail, p. 68.)
17. 446(a)(3)	do	We cannot specify in law the details of income ranges. (See detail, p. 68.)
18. 446(b)	Eliminate	The major area of discretion has been eliminated by our rewrite. (See detail, p. 68.)
19. 446(e)(1)	Retain	Secretarial discretion should be retained to provide flexibility in setting regulations to deal with different kinds of cases. (See detail, p. 69.)
20. 446(e)(2)	Reduce	We have limited the area of discretion by requiring positive secretarial action. (See detail, p. 70.)
21. 1602(a)(6)	Retain	Flexibility is needed here so the Secretary can devise standards in cooperation with the States which construct a national system of establishing and verifying eligibility. (See detail, p. 70.)

## II. Department of Labor

In the six major areas of secretarial discretion in H.R. 16311, the Department of Labor proposes to follow policy as set forth below.

Section	Action	Description
1. 447(a)	Retain	Regulatory authority has been retained because the Employment Security Offices are agencies of the State. (See detail, p. 72.)
2. 431(a)	do	The Secretary retains the discretion to set priorities in developing employability plans for registrants. (See detail, p. 72.)
3. 432(a)(2)	do	The Secretary needs discretion to specify the schedules to deal with varying transportation and training costs. (See detail, p. 73.)
4. 432(a)(3)	Eliminate	Discretion is removed in this section by tying the allowances to the ratios of sec. 503 of the bill as resubmitted. (See detail, p. 73.)
5. 434	Retain	This section simply states that the Secretary of Labor may issue regulations to carry out the program. (See detail, p. 74.)
6. 435(a)	do	This discretion is necessary to allow the Secretary to prescribe criteria in order to allocate funds to the States. (See detail, p. 74.)

## PROPOSED ACTION IN AREAS OF SECRETARIAL DISCRETION

### DISCUSSION

#### I. Department of Health, Education, and Welfare

(Note: Existing language from H.R. 16311 as passed by the House is provided at the heading of each item. For proposed new language reducing or eliminating discretion, see the proposed amended bill.)

##### 1. Section 436(c).

**“The Secretary of Health, Education, and Welfare may provide, in any case in which a family is able to pay for part or all of the cost of child care provided under a project assisted under this Section, for payment by the family of such fees for the care as may be reasonable in the light of such ability.”**

We recommend that no change be made in the discretionary authority given to the Secretary to establish fee schedules for child care. These schedules must, of necessity, vary according to the quality of care, regional cost differences and other factors.

##### 2. Section 437(a).

**“No payments shall be made to any State under Title V, XVI, or XIX, or Part A or B of this title, with respect to expenditures for any calendar quarter beginning on or after the date Part D becomes effective with respect to such State, unless it has in effect an agreement with the Secretary of Health, Education, and Welfare under which it will provide health, vocational rehabilitation, counseling, social, and other supportive services which the Secretary under regulations determines to be necessary to permit an individual who has been registered pursuant to Part D or is receiving supplementary payments pursuant to Part E to undertake or continue manpower training and employment under this Part.”**

The reference to secretarial discretion can be removed as unnecessary, recognizing that substantial regulations will be necessary under this section and the social services provision of the law to spell out the implementation of the services system.

##### 3. Section 442(c)(1).

**“. . . Eligibility for and the amount of benefits of a family for any quarter shall be redetermined at such time or times as may**

**be provided by the Secretary, such redetermination to be effective prospectively."**

We recommend that this section be amended to clarify the time period for redetermination of benefits. It is now ambiguous as to whether the redetermination should take place quarterly or monthly.

The amended version provides for universal redetermination at least quarterly, but permits adjustments for essential changes in family composition and income at more frequent intervals.

#### **4. Section 442(c)(2).**

**"The Secretary shall by regulation prescribe the cases in which and extent to which the amount of a family assistance benefit for any quarter shall be reduced by reason of the time elapsing since the beginning of such quarter and before the date of filing of the application for the benefit."**

We recommend that discretion be deleted in this provision and replaced by a requirement that the Secretary pro rate payments from the date of application.

#### **5. Section 442(c)(3).**

**"The Secretary may, in accordance with regulations, prescribe the cases in which and the extent to which income received in one period (or expenses incurred in one period in earning income) shall, for purposes of determining eligibility for and amount of family assistance benefits, be considered as received (or incurred) in another period or periods."**

This provision is concerned chiefly with the distribution of net earnings from self-employment to quarters for the purpose of computing eligibility and benefits. We propose that either income or earnings should be allocated equally to the quarters of the calendar year, fiscal year, or short taxable year involved. This assignment would be consistent with allocations under Title II for both payment and record keeping purposes. Certain peculiar wage arrangements or seasonal earnings would also be handled in this manner.

In view of the practical impossibility of listing in the statute all of the specific occupations which should be treated in this way, we believe the discretion in the present language should be retained.

#### **6. Section 442(d).**

**"The Secretary may, in accordance with regulations, prescribe the circumstances under which the gross income from a trade or business (including farming) will be considered sufficiently large to make such family ineligible for such benefits."**

Under this section the Secretary is authorized to promulgate amounts of gross income derived from types of businesses which will

give rise to a rebuttable presumption that a family is ineligible for benefits.

That is, we believe that certain amounts of gross receipts, depending upon the trade or business, can give rise to a presumption that a family's income makes them ineligible. However, the family would be given an opportunity to establish that, notwithstanding the amount of gross receipts, bona fide business expenditures or other conditions resulted in a true net income in an amount permitting eligibility for benefits. For example, extraordinary expenses incurred by a livestock farmer because of drought, flooding or excessive winters; by a retail tradesman because of robbery, fire, etc.

#### 7. Section 443(b).

**"In determining the income of a family there shall be excluded—(1) subject to limitations (as to amount or otherwise) prescribed by the Secretary, the earned income of each child in the family who is, as determined by the Secretary under regulations, a student regularly attending a school, college or university, or a course of vocational or technical training designed to prepare him for gainful employment."**

We propose to retain this language and set dollar limitations by regulation. Flexibility is necessary to permit variations according to whether or not a student is receiving some form of government subsidized wages under programs such as work-study, or the Neighborhood Youth Corps. It seems unwise in such cases to take away, through the Family Assistance system, what the Government is providing through subsidized employment. In any case, we would expect that exempt earnings would include at least that much income needed to provide for tuition and fees.

#### 8. Section 443(b)(2).

**"In determining the income of a family there shall be excluded . . . (2) (A) the total unearned income of all members of a family in a calendar quarter, which, as determined in accordance with criteria prescribed by the Secretary, is received too infrequently or irregularly to be included, if such income so received does not exceed \$30 in such quarter, and (B) the total earned income of all members if a family in a calendar quarter which, as determined in accordance with such criteria, is received too infrequently or irregularly to be included, if such income so received does not exceed \$30 in such quarter;"**

We recommend that this section be amended by deleting the clauses which mention criteria prescribed by the Secretary.

The principal matter for secretarial discretion was removed from this section by the Ways and Means Committee, which fixed the dollar amount to be disregarded at \$30 per quarter for earned and unearned

income. Consequently, the Secretary is now left to define guidelines for administrative decisions on what earned and unearned income, up to the 30 dollar limits, is "infrequently or irregularly received."

We propose to develop criteria for irregularity and infrequency which will apply to unearned income and to earned income. The criteria will involve considerations of the amount, source and expected duration of the income.

If the total quarterly income of the family, including earned and unearned income, is \$30 or less, we propose a presumption that the income is received infrequently and irregularly.

If the total quarterly income of the family exceeds \$30, amounts of earned and unearned income of less than \$30 received from any one source or activity will be excluded if there was no reasonable expectation that the income would be received in the quarter, and there is no reasonable certainty that the income will be received from the same source or activity in each succeeding quarter.

For example, if a person outside the family gives a child \$5 or \$10 every month, the income is regularly and frequently received and will be counted as part of the family income. On the other hand, if such a person gives \$5 or \$10 (or more, not exceeding \$30 for a quarter) to a child for birthdays and holidays once or twice a year, the income would be excluded as infrequently and irregularly received.

Also a beneficiary who works each weekend and earns a relatively stable amount of income (\$25-30 per quarter) may be found to have a regular income from this activity even though the sources may differ each quarter.

#### 9. Section 443(b).

**"In determining the income of a family there shall be excluded . . . (3) an amount of earned income of a member of the family equal to all, or such part (and according to such schedule) as the Secretary may prescribe, of the cost incurred by such member for child care which the Secretary deems necessary to securing or continuing in manpower training, vocational rehabilitation, employment or self-employment ;"**

We would amend this by taking out the reference to secretarial discretion and inserting after the last word "except that such amount may not exceed the cost, established in connection with section 436(c), of comparable child care." It seems reasonable to limit the amount of excludable income which an individual may apply toward day care under this section to the cost to the Government of comparable care it provides directly under section 436. In this manner, comparable quality ceilings could be applied, and unlimited deductibility is prevented.



**10. Section 443(b)(5).**

**“In determining the income of a family there shall be excluded . . . (5) food stamps or any other assistance (except veterans’ pensions) which is based on need and furnished by any State or political subdivision of a State or any Federal agency, or by any private charitable agency or organization.”**

We would suggest changing the language to define “charitable agency or organization” as an organization which is exempt from income tax under section 501(c) (3) and (4) of the Internal Revenue Code.

**11. Section 444(a)(2).**

**“In determining the resources of a family there shall be excluded . . . (2) other property which, as determined in accordance with and subject to limitations in regulations of the Secretary, is so essential to the family’s means of self-support as to warrant its exclusion.”**

We propose that the regulations would differentiate between two major types of property, (1) automobiles, tools, equipment and machines, and (2) other business assets.

We would propose that initially the value of an automobile used for employment purposes, a mechanic’s tools, a farmer’s machinery, etc., be excluded in determining the resources of the family as essential means of self-support. As experience dictates, dollar limits could be established if an unlimited exclusion stimulates abuse.

We would propose that the value of business and other assets, up to a limit of \$25,000 or such other figure as national data on small businesses would suggest, would be excluded in determining the resources of a family if they are necessary for conducting a trade or business, and are in such actual use.

This proposed limit would be intentionally set high to avoid disincentives for individuals to start businesses and lift themselves out of poverty. Although this limit would not affect small businesses, particularly service businesses, the income from these businesses would come under the test of gross income from the business (Section 442 (d)) to limit eligibility for Family Assistance payments.

Saleable real estate, and tools, equipment, or business assets not used for income producing purposes would be included as family assets.

**12. Section 444(b).**

**“The Secretary shall prescribe regulations applicable to the period or periods of time within which, and the manner in which, various kinds of property must be disposed of in order not to be included in determining the family’s eligibility for family assistance benefits. Any portion of the family’s benefits paid for any**

**such period shall be conditioned on such disposal; and any benefits so paid shall (at the time of the disposal) be considered overpayments to the extent they would not have been paid had the disposal occurred at the beginning of the period for which such benefits were paid."**

We propose that the regulations provide a schedule of time periods for disposal of various types of property which would take into account the usual length of time required to dispose of the particular type of property.

The schedule of time periods would serve primarily as a guide, and would not be absolutely controlling. An important factor would be whether the family made every reasonable effort to dispose of the property. For example, the regulation might provide that, where a recipient regularly advertised a piece of property for sale throughout the time period established for disposal of such property and received no offers during the period, the Secretary could continue payments even after the time period had elapsed.

### **13. Section 445(b).**

**"For purposes of this part and parts C and E, the term 'child' means an individual who is (1) under the age of eighteen, or (2) under the age of twenty-one and (as determined by the Secretary under regulations) a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment."**

We propose to eliminate the explicit reference to secretarial discretion, but "regularly attending" will still have to be defined by regulation. An attempt to be more specific in the law would inevitably create hardship situations and possibly introduce disincentives for educational advancement.

It will also be necessary to provide by regulation that regular attendance will be deemed to continue for a reasonable period between semesters or sessions of the school provided the beneficiary-student intends to continue regular attendance at the next regular session of the school.

We propose to develop criteria which rely principally on the rules and practices of the educational institutions involved to determine regular attendance at their courses of instruction. If the institution or school indicates that the student is in regular attendance, in accordance with its standards, that will be sufficient to maintain Family Assistance eligibility. This will maintain the maximum incentive for beneficiaries to improve their employment potential by part-time school attendance.

The same criteria for regular attendance would be applied under Section 443(b)(1) to determine income exclusions.

#### 14. Section 445(d).

**“For purposes of determining eligibility for and the amount of family assistance benefits for any family there shall be excluded the income and resources of any individual, other than a parent of a child (or a spouse of a parent), which, as determined in accordance with criteria prescribed by the Secretary, is not available to other members of the family.”**

We recommend deletion of the clause “as determined in accordance with criteria prescribed by the Secretary.”

The regulations implementing this provision would provide that the criteria for determining whether the income and resources of an adult are not available to the family would be based upon actual availability, demonstrated by fact. This would be in conformance with the current regulation (45 CFR 203.1) as affirmed in *Lewis v. Martin*, decided April 20, 1970.

Some suggested guidelines for determining the reasonableness of the allegations of nonavailability are: (1) the relationship of the adult to the family or any member thereof; (2) the history of such person's disposition or the use of his income; (3) the amount of income and amount and type of resources in question. Based upon replies to such queries it could be determined whether allegations of “nonavailability” were reasonable and, therefore, acceptable without investigation.

#### 15. Section 446(a)(1).

**“Family assistance benefits shall be paid at such time or times and in such installments as the Secretary determines will best effectuate the purpose of this title.”**

We recommend that the language of the section be amended to read as follows:

“Family assistance benefits shall be paid not less frequently than monthly, except that such benefits may be paid quarterly in any case in which the Secretary determines that the amount of such benefits for a quarter will not exceed \$30.”

This will make clear the intent to make regular monthly payments to family assistance beneficiaries.

Payments of small amounts could be made regularly on a monthly basis. There is a greater possibility for the Family Assistance payments to have an incentive effect and a meaningful impact on the family budget, however, if smaller amounts are combined in a quarterly check. No systems problems are anticipated in arranging these combined payments.

**16. Section 446(a)(2).**

**“Payment of the family assistance benefit of any family may be made to any one or more members of the family, or, if the Secretary deems it appropriate, to any person, other than a member of such family, who is interested in or concerned with the welfare of the family.”**

The substance of this section also appears in sections 447(a), 448(a) and 1610. Similar authority to select an individual to receive payment of Social Security monthly benefits on behalf of an applicant is contained in Section 205(j).

We propose to interpret this uniformly for all sections as authority to make payment to a family member who is not the parent, or to a nonfamily member who would be an appropriate payee because he has shown an interest in or concern with the welfare of the family members. Because the paramount consideration is for the welfare of the children in the family unit and because the decision must be made on the facts of each case, guidelines rather than rules on selection will be issued by regulation. The determination of the appropriate payee will necessarily be made by the local Federal Assistance office in consultation with a service worker.

Guidelines will indicate the generally accepted preferred order for making payment to a resident adult family member; a resident adult nonfamily member; a non-resident family member; etc. Reasons for nonselection will be specified, including incapacity, desertion, or violation of specific statutory prohibitions for failure to register for manpower services (see 447(a)). Guidelines will also be developed on payment to responsible, mature minors.

**17. Section 446(a)(3).**

**“The Secretary may by regulation establish ranges of incomes within which a single amount of family assistance benefit shall apply.”**

We believe that the Secretary should retain the discretion to establish such ranges of income in order to allow for administrative simplicity. This is done, for example, in the veteran's compensation benefit program. This language also permits rounding of benefits to the nearest dollar.

**18. Section 446(b).**

**“Whenever the Secretary finds that more or less than the correct amount of family assistance benefits has been paid with respect to any family, proper adjustment or recovery shall, subject to the succeeding provisions of this subsection, be made by appropriate adjustments in future payments to the family or by recovery from or payment to any one or more of the indi-**

**viduals who are or were members thereof. The Secretary shall make such provisions as he finds appropriate in the case of payment of more than the correct amount of benefits with respect to a family with a view to avoiding penalizing members of the family who were without fault in connection with the overpayment, if adjustment or recovery on account of such overpayment in such case would defeat the purposes of this part, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration of this part."**

We recommend that the statute be changed to remove as unnecessary the reference to secretarial discretion. Specifically, we would propose eliminating the second sentence above and inserting at the end of the first sentence: ", unless such adjustment or recovery (in the case of an overpayment) would defeat the purposes of this part, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration of this part."

Regulations under this section would be patterned after the Title II waiver regulations (Section 404.506 ff. Regulations No. 1). "Without fault," "defeat the purposes," and "against equity and good conscience" will have to be defined.

In deciding whether recovery of any overpayment would "impede efficient or effective administration," consideration would be given to such factors as the amount of the overpayment, the cost of the recovery process and the effect that recovery might have on encouraging prompt and correct reports.

#### **19. Section 446(e)(1).**

**"The Secretary shall prescribe regulations applicable to families or members thereof with respect to the filing of applications, the furnishing of other data and material, and the reporting of events and changes in circumstances, as may be necessary to determine eligibility for and amount of family assistance benefits."**

This discretionary provision should be retained. The regulations would provide that there would be a requirement for an application on a prescribed form, but a written statement (letter, etc.) could establish a filing date which would determine the date for beginning payments.

An application filed with or a writing addressed to a State welfare office, in a State administering Part E benefits, should also establish a filing date for Part D benefits.

With respect to the furnishing of information and reporting events, we would expect to utilize some form of a "declarative" or "simpli-

fied" system of claims. However, as to evidence required for eligibility or validation purposes, much of the format and content of Subpart II of Regulation No. 4 (20 CFR) would be utilized. Prompt reporting of any change in income, family membership, etc., would be required (and based upon such reports, prompt redeterminations made).

#### 20. Section 446(e)(2).

**"In order to encourage prompt reporting of events and changes in circumstances relevant to eligibility for or amount of family assistance benefits, and more accurate estimates of expected income or expenses by members of families for purposes of such eligibility and amount of benefits, the Secretary may prescribe the cases in which and the extent to which (a) failure to so report or delay in so reporting, or (b) inaccuracy of information which is furnished by the members and on which the estimates of income or expenses for such purposes are based, will result in treatment as overpayments of all or any portion of payments of such benefits for the period involved."**

The language of this section would be improved if the word "shall" replaced "may" so that positive secretarial action is required, and our amendments make that change.

We would propose specifically to prescribe by regulation which reports will be required, such as quarterly estimates of earnings, post entitlement reports of earnings, reports on changes in family composition, etc., and the time limits within which each report should be made.

We would want to study the reporting and overpayment recovery experience to assess the impact of withholding from current benefits for overpayments before establishing specific types of penalty as a deterrent to improper reporting.

#### 21. Section 1602 (a)(6).

**"A State plan for aid to the aged, blind, and disabled must . . . (6) provide for the use of a simplified statement, conforming to standards prescribed by the Secretary, to establish eligibility, and for adequate and effective methods of verification of eligibility of applicants and recipients through the use, in accordance with regulations prescribed by the Secretary, of sampling and other scientific techniques."**

One of the chief objectives of the secretarial prescription of the method specified above is that it allows for flexibility in changing such administrative devices as may be dictated by evaluation and experience.

The issuance of methods of administration through regulations gives the States the opportunity to react to and to participate in the development of national standards. When methods are prescribed by

law, unless they are set forth in general terms, they do not provide for the flexibility often needed for efficient administration.

In existing programs operating under Title XVI, States have been free, until recently, to establish their own methods. This in itself, has resulted in wide variations and in inequities in the administration of the public welfare programs. On May 28, 1970, the Department did promulgate a regulation, arrived at after over many months of experimentation at the State level, requiring the gradual extension of the use of a simplified form or declaration for eligibility for assistance under the adult categories and requiring statewide implementation in the adult categories no later than January 1, 1971.

Methods of verification likewise need to be adapted to experience. Ordinarily in the relationship between the individual and governmental agencies, the individual himself is in the best position to supply the information or documentation needed to establish specific facts. Current policies provide for further investigation whenever the need is indicated and also for detailed investigations of a scientifically selected sample of all applicants and recipients.

Provision for a Federal method for monitoring, by sampling and other scientific techniques, is necessary. However, experience in the present programs has shown the need for the freedom to adapt such methods proscribed by the Secretary to meet the needs of the different States. The objective is to achieve reliability, with a view toward economy in the sampling design.

## II. Department of Labor

### 1. Section 447(a).

**“Every individual who is a member of a family which is found to be eligible for family assistance benefits, other than a member to whom the Secretary finds paragraph (1), (2), (3), (4), or (5) of subsection (b) applies, shall register for manpower services, training, and employment with the local public employment office of the State as provided by regulations of the Secretary of Labor.”**

Section 447(a) provides that every member of a family (with specified exceptions) shall register with the local State Employment Service Agency “as provided by regulations of the Secretary of Labor.” These regulations would provide for the details of the registration process: the information to be secured, the arrangement for registration for persons living far from an employment service office, and similar administrative details.

Regulatory authority has been included because the Employment Security offices are agencies of the State. While this is a Federal program, regulatory authority for the Secretary of Labor is desirable to assure uniformity of administration.

### 2. Section 431(a).

**“The Secretary of Labor shall, for each person registered pursuant to Part D, in accordance with priorities prescribed by him, develop or assure the development of an employability plan describing the manpower services, training, and employment which the Secretary of Labor determines each person needs in order to enable him to become self-supporting and secure and retain employment and opportunities for advancement.”**

Section 431(a) provides that the Secretary of Labor shall develop employability plans for persons registered with the State Employment Security agencies “in accordance with priorities prescribed by him.”

It is estimated that almost three million people will be required to register. The development of an employability plan is a time-consuming process, but one which experience has shown to be essential in moving disadvantaged persons into productive employment. It is obviously impossible to develop employability plans immediately for all registrants, and that is why the bill provides that priorities shall be established by the Secretary of Labor. Without such priorities, re-



sources would be wasted and effective administration would be impossible. The priorities themselves will vary with changes in labor market conditions, the composition of the caseload, and different geographic areas, so flexibility is needed.

In lieu of leaving the determination of priorities to the discretion of the Secretary, it would be possible to provide legislative direction in the setting of priorities. The Committee may wish to consider language along the following lines to add at the end of subsection 431 (a) :

“In determining these priorities, the Secretary shall consider the following criteria :

The extent of impediments to employment resulting from the individual's family status;

The individual's capacity for achieving self-support on the basis of his education, employment history, or other factors indicating that his employability potential can be improved;

The individual's need for additional training in relation to the availability of jobs in the local labor market; and

The current employment status of the individual.

These criteria shall be applied to effect the most rapid transition of persons to self-support and the most expeditious reduction of family assistance and State supplement payments under this Act.”

### 3. Section 432(a)(2).

**“The Secretary of Labor shall, in accordance with regulations, also pay, to any member of a family participating in manpower training under this part, allowances for transportation and other costs to him which are necessary to and directly related to his participation in training.”**

Section 432(a)(2) provides for the payment of allowances for transportation and other necessary training costs “in accordance with regulations.” These regulations would specify the form of claims and the documentation needed to support them; and they would permit payment in accordance with a schedule rather than an exact reimbursement of expenses.

### 4. Section 432(a)(3).

**“The Secretary of Labor shall by regulation provide for such smaller allowances under this subsection as he deems appropriate for individuals in Puerto Rico, the Virgin Islands, and Guam.”**

Section 432(a)(3) provides that any trainees in Puerto Rico, the Virgin Islands, and Guam shall receive “such smaller allowances” as “the Secretary of Labor shall by regulation provide.” We have proposed an amendment which would apply the ratio prescribed in section 503 of the bill as resubmitted to reduce the allowances in these territories in the same manner in which other benefit payments are reduced.

**5. Section 434.**

**“The Secretary of Labor may issue such rules and regulations as he finds necessary to carry out his responsibilities.”**

This regulatory authority is not a delegation of discretion to the Secretary, but is merely a mechanism for providing for the orderly administration of manpower services, training and employment programs under the bill. No quasi-legislative powers were intended by this language, but if the committee believes that it would be subject to misinterpretation, it can be deleted.

**6. Section 435(a).**

**“. . . The Secretary of Labor shall establish criteria to achieve an equitable apportionment among the States of Federal expenditures for carrying out the programs authorized by section 431. In developing these criteria the Secretary of Labor shall consider the number of registrations under section 447 and other relevant factors.”**

Section 435(a) provides that the Secretary shall prescribe criteria to achieve an equitable apportionment of funds amongst the States and shall consider, in developing these criteria, the number of registrants and “other relevant factors.” Some of the other factors which might be considered are the level of State incentive allowance payments; the percentage of working poor in the State, as compared with other registrants; and the ability of the State to move forward with the program.

## INFORMATION RELATING TO THE WORK INCENTIVE PROGRAM—U.S. DEPARTMENT OF LABOR, MANPOWER ADMINISTRATION

Number of persons enrolled in the work incentive program at end of month, current  
and cumulative, July 1969 to March 1970

	End of month enrollment	Cumulative enrollment <sup>1</sup>
1970:		
March..	87,655	145,310
February	79,028	136,531
January	77,729	128,999
1969:		
December..	74,225	120,843
November..	69,578	111,764
October..	66,997	105,172
September..	65,031	97,899
August	63,727	91,912
July	62,733	<sup>2</sup> 86,200

<sup>1</sup> Excludes re-entrants.

<sup>2</sup> From beginning of program, August 1968.

(75)

## SELECTED CHARACTERISTICS OF WIN ENROLLEES IN FISCAL 1969

[Percent distribution]

Enrollee characteristics	Cumulative, fiscal year 1969	National averages, U.S. population, 14 years and over
U.S. total:		
Number	80,600	
Percent	100	
Sex:		
Male	40	49
Female	60	51
Color:		
White	56	89
All other races	44	11
Negro	40	
American Indian	1	
Oriental	(1)	
Other	3	
Age:		
Under 22	16	
22 to 44	74	41
45 and over	10	
Education:		
8th grade or less	31	27.9
9th through 11	41	22.1
12 and over	29	
Labor force status:		
Unemployed	82	3.6
14 weeks or less	24	
15 weeks or over	58	
Underemployed	8	
Entrant to labor force <sup>2</sup>	10	
Head of household or family	91	
Disadvantaged	88	
Below poverty level	89	
Spanish surname	18	

<sup>1</sup> Less than 1/2 of 1 percent.<sup>2</sup> May include some enrollees whose labor force status was not reported.<sup>3</sup> Between the ages of 21 to 44.<sup>4</sup> Percent of labor force.

Note: Detail may not add to 100 percent due to rounding.

U.S. DEPARTMENT OF LABOR, MANPOWER ADMINISTRATION—WORK  
INCENTIVE PROGRAM

Current and cumulative enrollments, by region and State as of Mar. 31, 1970

Region and State	Current enrollment	Cumulative enrollment
Region I, total	5,387	10,092
Connecticut	1,240	2,506
Maine	356	501
Massachusetts	2,919	5,336
New Hampshire		
Rhode Island	586	1,246
Vermont	286	503
Region II, total	16,005	23,087
New Jersey	2,437	4,854
New York	10,615	13,870
Puerto Rico	2,929	4,310
Virgin Islands	24	53
District of Columbia	1,132	1,965
Region III, total	12,388	20,181
Delaware	238	264
Maryland	2,209	3,061
Pennsylvania	5,607	8,267
Virginia	884	1,120
West Virginia	3,450	7,469
Region IV, total	6,710	9,363
Alabama	683	1,248
Florida	1,327	1,718
Georgia	777	852
Kentucky	1,946	2,699
Mississippi	185	410
North Carolina	345	377
South Carolina	112	128
Tennessee	1,335	1,931
Region V, total	12,555	19,634
Illinois	2,113	3,662
Indiana		
Michigan	4,639	6,837
Minnesota	922	1,204
Ohio	3,168	5,387
Wisconsin	1,713	2,544
Region VI, total	2,295	2,962
Arkansas	484	534
Louisiana	997	1,359
New Mexico	313	419
Oklahoma	243	266
Texas	308	384
Region VII, total	2,620	4,174
Iowa	749	1,068
Kansas	599	1,137
Missouri	1,167	1,969
Nebraska	( <sup>a</sup> )	

U.S. DEPARTMENT OF LABOR, MANPOWER ADMINISTRATION—WORK  
INCENTIVE PROGRAM—Continued

Current and cumulative enrollments, by region and State as of Mar. 31, 1970

Region and State	Current enrollment	Cumulative enrollment
Region VIII, total	4,920	7,425
Colorado	1,872	2,794
Montana	409	692
North Dakota	282	502
South Dakota	436	577
Utah	1,795	2,626
Wyoming	126	234
Region IX, total	18,532	37,985
Arizona	948	1,757
California	17,267	35,665
Guam	60	91
Hawaii	257	472
Nevada		
Region X, total	5,216	8,442
Alaska	339	567
Idaho	536	760
Oregon	1,956	2,362
Washington	2,385	4,753
U.S., total	87,665	145,310

<sup>1</sup> Current and cumulative data through February; March data not available.

<sup>2</sup> Telephone report from Nebraska WIN coordinator as of Feb. 28, 1970 not carried in regular reporting figures. Raises total to 87,760.

<sup>3</sup> Does not include 2,272 re-entrants which would raise cumulative enrollment to 147,582.

Results of Special Occupational and Wage Survey of Employed WIN Program Participants in Follow-Up Status Conducted in Six States of August 31, 1969.

A special survey of about 4,600 employed WIN participants in follow-up status was conducted in six States in August 1969 to obtain occupational and wage information for the program. Some 45 percent of the participants were employed in California (2,100) with the others in Pennsylvania (926), New York (739), Washington (385), Illinois (303), and Colorado (166). The survey indicated that the majority of participants were obtaining jobs in clerical and sales (21.5 percent) service (20.6 percent), and structural work occupations (11.2 percent). Another one-sixth of the participants were finding jobs in "miscellaneous" occupations (including such activities as motor freight transportation, packaging and materials handling, certain transportation activities, occupations in the production and distribution of utilities, etc.). Bench work, machine trades, and processing occupations were providing employment for practically another one-fifth of all participants surveyed (see attached tabulations).

Marked variations in employment patterns were apparent, by sex, with a total of almost three-fourths of the women employed in the clerical and sales (43.2 percent) and service categories (31.1 percent). Among men, nearly three-fifths of the participants were obtaining employment in structural work (23.2 percent), service occupations (13.7 percent), and the "miscellaneous" category (24.7 percent).

In each of the six States, a majority of WIN participants were obtaining jobs in clerical and sales, service and structural work occupations. However, the proportions in the individual occupational categories varied significantly, apparently influenced to an appreciable extent by the relative number of men and women surveyed. Thus, in California—where about 45 percent of the participants surveyed were women—relatively sizable numbers were obtaining employment in clerical and sales occupations (28 percent of the State total). On the other hand, in Illinois and Pennsylvania—where about four-fifths of those surveyed were men—only 14.5 and 6.9 percent, respectively, of the participants found jobs in the clerical and sales field.

The August survey of WIN participants finding employment in the six States indicated that median earnings have approximated \$2.27 per hour (compared with post-training median earnings of \$2.14 per hour for 1967 and 1968 MDTA graduates). Allowing for the probable increase in MDTA earnings in 1969, hourly earnings for WIN program participants nevertheless appear favorable. The rate for men in the WIN program has been \$2.47 per hour and that for women \$2.02.

Median earnings in the six States surveyed have varied appreciably ranging from a low of \$1.92 per hour in Colorado to highs of \$2.41 in Illinois and \$2.35 in California. In all States, a pattern of higher earnings for men has been evident although the differential has varied from Illinois (where median earnings for men were 64 cents higher than for women) to New York (where male earnings were only 30 cents higher than for women).

Wage differences, by sex, appear to be directly related to the various occupational categories in which men and women obtain employment. The great majority of women are finding employment in the relatively lower paid clerical and sales and service categories. Male employment tends to be spread more evenly in the various occupational groupings although close to one-fourth of the men are obtaining jobs in the generally higher wage structural work category.

Among individual States, the two States—Colorado and Pennsylvania—with the lowest median female earnings of \$1.74 and \$1.80, respectively, also had the greatest number of female participants in service occupations (each with more than 50 percent of the total). In contrast, the two States with the highest female median earnings had the fewest women in service occupations. California, with median

earnings of \$2.12 for women, had 26.1 percent of female participants in service occupations while New York, with median earnings of \$2.08, had 29.7 percent in service occupations.

#### EMPLOYED WIN PROGRAM PARTICIPANTS IN FOLLOW-UP STATUS IN 6 SELECTED STATES, BY MAJOR OCCUPATIONAL CATEGORY <sup>1</sup>

[Based on special survey as of Aug. 31, 1969]

	Total		Total		Total	
	Number	Percent	Number	Percent	Number	Percent
Total (6 States) <sup>2</sup>	4,619	100.0	2,786	100.0	1,833	100.0
Professor, technician, managerial	248	5.4	110	3.9	138	7.5
Clerical and sales	994	21.5	203	7.3	791	43.2
Service	953	20.6	383	13.7	570	31.1
Farm, fish, forest	108	2.3	105	3.8	3	0.2
Processing	245	5.3	219	7.9	26	1.4
Machine trades	288	6.2	253	9.3	30	1.6
Bench work	353	7.6	173	6.2	180	9.8
Structural work	655	14.2	646	23.2	9	0.5
Miscellaneous	775	16.8	689	24.7	86	4.7
Number employed full time	4,369	94.5	2,708	97.1	1,661	90.5
Number employed part time	254	5.5	80	2.9	174	9.5

<sup>1</sup> States include California, New York, Pennsylvania, Illinois, Washington, and Colorado.  
<sup>2</sup> Occupational data not available for 4 participants.

#### EMPLOYED WIN PROGRAM PARTICIPANTS IN FOLLOW-UP STATUS IN 6 SELECTED STATES, BY AVERAGE HOURLY EARNINGS <sup>1</sup>

[Based on Special Survey as of August 31, 1969]

Average hourly earnings	Total		Men		Women	
	Number	Percent	Number	Percent	Number	Percent
Total (6 States)	4,623	100.0	2,786	100.0	1,837	100.0
Under \$1.60	180	3.9	102	3.7	78	4.2
\$1.60 to \$1.99	1,312	28.4	502	18.0	810	44.1
\$2.00 to \$2.49	1,493	32.3	823	29.6	670	36.5
\$2.50 to \$2.99	887	19.2	673	24.1	214	11.6
\$3.00 or more	751	16.2	686	24.6	65	3.5
Median	\$2.27		\$2.47		\$2.02	

<sup>1</sup> States include California, New York, Pennsylvania, Illinois, Washington, and Colorado.



## SUMMARY OF JOINT DOL-HEW TASK FORCE VISITS

The task force visits were conducted in a series of four separate visits to the Department of Labor, the Department of Health, Education and Welfare, and the Department of Justice. The visits were held in the following order: (1) Department of Labor, (2) Department of Health, Education and Welfare, (3) Department of Justice, and (4) Department of Labor. The visits were held in the following order: (1) Department of Labor, (2) Department of Health, Education and Welfare, (3) Department of Justice, and (4) Department of Labor. The visits were held in the following order: (1) Department of Labor, (2) Department of Health, Education and Welfare, (3) Department of Justice, and (4) Department of Labor.

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## FAP WOULD IMPROVE ON WIN IN 6 IMPORTANT AREAS

Problem areas in WIN	Provisions of WIN	Provisions of FAP
1. Incentives for training are too low.	Trainees receive a maximum of \$30 a month in addition to their welfare payment [SSA sec. 434].	Trainees would receive a minimum of \$30 additional per month, but where the manpower training payment exceeds the FAA payment plus this \$30, the family would receive the difference between the 2.
2. The employment service cannot directly help enrollees meet personal expenses related to training.	Expenses attributable to training are taken into account by the State welfare agencies in determining need.	The Secretary of Labor would make payments directly to trainees to cover their training costs.
3. The requirement for substantial State dollar contributions is a major impediment.	Federal assistance for training is limited to 80 percent for child care to 75 percent.	The matching formula would be 90-10 for training, and 100 percent Federal for child care.
4. The "referral" relationship between welfare and employment agencies is too discretionary and variable, resulting in gaps and lax enforcement.	Welfare agencies refer "appropriate" individuals, as interpreted and determined by each State agency.	The statute would require that every adult, able-bodied member of a family receiving assistance must register for work or training. The only exceptions are clearly specified in the bill.
5. Dual agency responsibility and guidelines create confusion and conflict.	Procedures for disqualification, for example, provide that both Labor and State welfare agencies make related, but possibly differing, determinations.	Responsibilities are clearly delineated with respect to registration, training, and work, with no second guessing; a separate appropriation is provided for the Secretary of Labor.
6. The lack of adequate child care is a major barrier to training and employment.	State welfare agencies provide for child care services; 25 percent matching is required.	The burden of State matching would be eliminated; authority is flexible with respect to who provides the service and what form it takes, and includes renovation; child care continues for those who enter employment.

INITIAL TASK FORCE VISITS 27 STATES ENROLLMENT COMPARISON SEPT. 30  
1969, AND MAR. 31, 1970

State	Slot level	Sept. 30, 1969 enrollment	Mar. 31, 1970 enrollment	Increase from Sept. 30, 1969
New York	12,000	6,279	10,615	+4,336
Illinois	5,000	1,493	2,113	+620
West Virginia	7,400	4,037	3,450	-587
Florida	2,640	0	1,327	+1,327
Ohio	4,600	2,602	3,168	+566
Colorado	2,600	708	1,872	+1,164
Pennsylvania	5,600	4,542	5,607	+1,065
North Carolina <sup>1</sup>	1,680	38	345	+307
Texas <sup>1</sup>	1,600	0	308	+308
Georgia <sup>1</sup>	1,400	65	777	+712
Puerto Rico	3,500	2,335	2,929	+594
Maryland	2,700	1,683	2,209	+526
Michigan	5,000	4,025	4,639	+614
Utah	2,050	1,037	1,795	+758
Indiana <sup>1</sup>	1,000	0		
Louisiana	1,500	615	997	+382
Arkansas <sup>1</sup>	950	118	434	+316
Mississippi	1,000	187	185	-2
Oregon <sup>1</sup>	1,350	541	1,956	+1,415
Arizona	1,680	925	948	+23
Missouri	1,800	1,065	1,167	+102
Minnesota <sup>1</sup>	1,200	536	922	+386
Massachusetts	3,000	2,643	2,919	+276
Wisconsin	1,860	1,549	1,713	+164
Kentucky	2,000	1,757	1,946	+189
Tennessee	1,200	1,033	1,335	+302
Connecticut	1,200	1,082	1,240	+158
Total	77,510	40,895	56,916	16,021

<sup>1</sup> Former legal barrier States.

Note: During the period Sept. 30, 1969, through Mar. 31, 1970, enrollments increased more than 39.2 percent or from 40,895 to 56,916 in the above 27 States visited by the task force.

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**PART 2**

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**Social Services Amendments**

(87)

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THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

June 18, 1970

Honorable Russell B. Long  
Chairman, Committee on Finance  
United States Senate  
Washington, D. C. 20510

Dear Mr. Chairman:

I am transmitting herewith for your consideration the Administration's proposed amendments to the social services programs in the Social Security Act. Pursuant to staff request, we have included these proposals in the amended version of H.R. 16311 which was transmitted to the Committee last week, rather than submitting them as a separate bill.

I and my staff stand ready to assist in any way we can to expedite and facilitate the Committee's consideration of this material.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert W. Felt".

Secretary

Enclosure

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FOR IMMEDIATE RELEASE

JUNE 13, 1970

Office of the White House Press Secretary  
-----THE WHITE HOUSESTATEMENT OF SECRETARY  
ROBERT H. FINCH ANNOUNCING  
SUBMISSION OF PROPOSALS TO  
REFORM SOCIAL SERVICES

The Administration is transmitting to the Congress today a reform of the Social Services program as a companion piece to the Family Assistance Plan. This proposal presents a restructuring of our human service effort as fundamental in its area as Family Assistance is to the cash payments program.

Money alone cannot relieve the causes of dependency. Overcoming problems of births out-of-wedlock, or child abuse, or exploitation of the aged, requires an effective program of social services to complement Family Assistance. Like income maintenance, these service efforts should be purposeful, efficient, and sharply focused on helping people to become self-sufficient.

Our difficulty is that the half billion dollar Federal program of social services is failing its clients. Services for the poor have been too fragmented, inflexible, lacking in accountability, and contain serious gaps -- particularly in programs to provide a decent home for displaced children.

The main point of delivery for these services has been the overburdened and mistrusted social worker. Bogged down as he or she is in the paper work and investigation of the present cash assistance morass, and stigmatized along with the recipients by the welfare image, he cannot effectively perform in a service role. And yet it is ironic that many among the cadre of 85,000 caseworkers in the nation are young, energetic and imbued with the best ideals of public service. The system is defeating them equally as much as it defeats the welfare recipient.

From the organizational and fiscal point of view the situation is equally in need of reform. An open-ended appropriation has meant that the Federal Government must put up whatever dollars the States are willing to match with their own funds. Finally, the services program must also be seen in the context of all the other Federal service programs -- many of which are similar in purpose, overlapping, and difficult to coordinate or to shape to fit local needs.

Today we propose a quantum improvement in the organization and delivery of HEW's human service program. These proposals are being offered as amendments to the Family Assistance Act now pending before the Senate Finance Committee, and we hope that they will be considered and enacted as an integral part of the welfare reform.

For the social services program as a whole, which we are redesignating as Individual and Family Services, we offer major changes to achieve --

-- accountability, by moving to a fixed appropriation approach in lieu of the present uncontrollable open-ended financing, and by requiring the States to set specific targets of activity and performance against which their achievement can be monitored;

-- dignity, without the welfare stigma, by making all the poor eligible for services without tying the program to welfare eligibility or welfare administration; and

-- a more equitable service effort across all States by providing a special equalization fund over the next four years to bring the low-effort States up to a decent minimum service level;



For the especially critical area of foster care and adoptions, we propose --

-- a seven-fold increase in Federal financial support for foster care through the infusion of \$150 million in new funds, permitting the establishment of nationwide minimum standards and protection;

-- provision of special reimbursements to adoptive parents, commensurate with their ability to pay, to cover the medical and remedial costs of handicapped and hard-to-place children;

-- funding for a national adoptions information network to bring children and adoptive parents together.

There is hardly any more morally compelling area, nor one with higher payoff to society, than providing care for displaced children who need homes.

Finally, to deal with the staggering problem of improving the coordination and delivery system for all HEW human services programs, we offer special proposals. These suggestions have major implications for the Federal system and may prove to be the most important elements of the package:

-- Governors and chief elected local officials would be given the power to transfer up to 20 percent of funds between any HEW service programs which they include in a consolidated plan;

-- special project grant funds of up to \$30 million a year would be made available under a new Government Assistance Program to help bridge the policy planning and management gap that afflicts too many Governors and Mayors in attempting to coordinate hundreds of human resources programs.

These reforms are based on a recognition of the need for responsible decentralization. Federal services programs must be tailored to meet local needs. That role is best performed at the State and local levels and Washington should help with the tools to do it. Responsible decentralization means that the Federal Government must be concerned with expanding the quality and capacity of State and local government to accept these increased responsibilities. We have moved at the Federal level to improve executive control and leadership by creating a new Office of Management and Budget. We hope, with this program, to help chief executives at State and local levels to undertake similar reforms. Responsible decentralization also means that we must face up to the need to relax the Federal aid categories so that our programs can be adopted to fit varying needs. Through the 20 percent transfer -- a kind of revenue sharing within existing programs -- we would give State and local governments the flexibility to tailor Federal dollars to their own priorities.

As the President has said, we must be concerned not only with what we do, but how we do it. Renewal of the Federal system must be an integral part of all our program initiatives.

## **Background Paper, Social Services Reform Amendments to the Family Assistance Act--Department of Health, Education, and Welfare, June 18, 1970**

### **SUMMARY OF SOCIAL SERVICES REFORMS IN THE FAMILY ASSISTANCE ACT**

#### **I. Integration and Coordination of HEW Programs.**

- a. **Twenty Percent Transfer--**in return for submitting a Consolidated Plan covering any HEW service programs they wish, Governors and local officials may transfer up to 20% of funds from any included program (no more than a 50% increase in any program). Provides flexibility to match Federal programs to meet local needs.
- b. **Government Assistance Program--**up to \$30 million annually available for grants to the offices of Governors and local officials to build planning and management capacity across all HEW programs. Help for State and local governments to assume new responsibilities under the New Federalism.

#### **II. Foster Care and Adoptions.**

1. **A seven-fold increase in Federal effort--**rising to \$175 million.
2. **Provision of a floor of \$330 per child for foster care plus establishment of minimum national standards.**
3. **Provision of special reimbursements to aid in the adoption of hard-to-place handicapped children, and funding for a national adoptions information network.**

#### **III. Individual and Family Services.**

1. **Added accountability for performance through fixed-level appropriations, specific agreements with States to provide measurable services, and publication of evaluation results.**
2. **Special funds--\$200 million over 4 years--to help equalize service expenditures among States and to work toward a nationwide floor of services.**
3. **Complete separation of services from cash assistance in both administration and eligibility determination.**

### I. The Present Social Services System

The Family Assistance Plan proposes basic reform of the present cash assistance system to provide income support to people in a way which preserves dignity, family stability and work incentives.

Correcting the basic causes of dependency requires more than income support alone. An equally fundamental reform now needs to be undertaken for the rest of the welfare system--public assistance social services. Income support programs must be joined with effective social services if the basic causes of dependency are to be attacked.

Present social services do not effectively fulfill the needs of their clients:

- social workers spend most of their effort on the investigation and paper work associated with eligibility for cash assistance, putting services in direct competition with enforcement and serving neither purpose well;
- because they control the flow of welfare dollars to recipients, social workers often seem to their clients to be snoopers or policemen and cannot effectively perform a helping, service role;
- the caseworker system has overemphasized counseling activities and underemphasized the provision of "hard" services such as homemaker care when someone is sick, housing assistance, foster care, and the like;
- there is little accountability built into the system since the Federal Government has an open-ended commitment to provide 75% matching funds for whatever amounts the States wish to commit; for this and other reasons, Federal social services expenditures have gone up from less than \$275 million in 1968 to more than \$550 million in 1971, with great variety in scope and quality of programs between the States;

--Federal service programs have created a patchwork of overlapping efforts at the local level that are difficult if not impossible to coordinate (for example, a single family could effectively benefit from locally-based services programs funded from more than half of 210 project grant programs and nearly all of the 50 formula grant programs supported by the Department).

## II. Proposals for Social Services Reform

The Family Assistance Plan completely redesigns the administration of the cash assistance program and provides incentives for shifting administration to the Federal level. By helping to relieve the States of the burden of administering cash assistance, it provides them with an opportunity to effect major improvements in their program of services.

The Administration now proposes to reform these welfare services in a series of companion amendments to the Family Assistance Plan. This set of amendments will focus on reforming the social service programs under the Social Security Act and promoting better coordination across the whole range of HEW service efforts.

### 1. Coordinating and Tailoring HEW Programs to Meet Local Needs

a. Twenty Percent Transferability and Other Measures. Over-centralization of decision-making at the Federal level has served to sap State and local initiative. Inflexible Federal rules and categories prevent the tailoring of programs to meet State and local needs.

Under the proposal, States and localities would be offered incentives to coordinate and integrate their service programs in return for the submission of a Consolidated HEW Plan meeting certain requirements.

A Governor could include any HEW-funded service programs he administers, and plan approval would permit him to transfer up to 20% of his Federal grant

funds from any one included categorical program to another of higher priority (although no program could be increased in funding by more than 50%). This critical reform would allow Governors and local officials to tailor Federal programs to better meet State and local needs.

b. Government Assistance Program. A new program would provide funding for projects to improve the planning and management capacity of chief executives at the State and local levels. The effort to decentralize program decisions and to increase flexibility for State and local officials must be joined with Federal assistance to help these officials deal with their increased responsibilities.

Up to \$30 million would be made available annually to permit Governors and chief elected local officials to undertake activities such as comprehensive planning and program monitoring across the whole range of HEW programs, personnel training and exchange programs between levels of government and the private sector, technical assistance, building information systems, and other policy management functions. Projects would be supported for up to three years with Federal funds, after which the grantee governments would be expected to pick up the expenses for activities that have proven their worth.

## 2. Foster Care and Adoptions.

In recent years the Federal financial effort in the critical Child Welfare Service area has leveled off at about \$50 million. In the particularly important areas of foster care and adoptions, both funding

and standards have lagged seriously behind need. The responsibility has been left largely to the hard-pressed public and private agencies at the State and local levels. The Federal Government will share less than 10 percent of the costs of the foster care effort in 1971, even though good foster care and adoptions programs more than pay their own costs in terms of lessened institutional expenses and remedial programs later on.

The Administration proposes to increase the Federal foster care and adoptions effort by seven-fold, from an estimated \$25 million for this purpose under the Child Welfare Services program in 1971 to \$175 million in the first full year of operation under the new program. This is part of the Administration's larger effort, including also the addition of almost \$400 million in new funds for quality day care under the Family Assistance Plan and the creation of the Office of Child Development, to greatly expand and improve our programs directed at the first five years of life. Included in the new program will be:

- provision of a Federal floor of \$300 per year for support of foster children, together with development of minimum standards of care;

- major new financing for administrative activities in support of foster care, including the development of more foster family homes (which are preferred to institutional care), and working with natural parents to reduce the need for foster care and return children to their own homes;
- reimbursements to adoptive parents based on their financial ability to meet the medical or remedial needs of handicapped and hard-to-place children;
- funding for a nationwide adoptions information exchange network to bring together children needing adoption and families waiting for adoptive children.

### 3. Individual and Family Services.

In place of the present social services programs which are now spread among six parts of the Social Security Act, a new Title XX would be added to the Act creating a consolidated program of Individual and Family Services.

a. Program Structure and Activities. States could provide a broad range of protective and supportive services available without cost to any individual or family with income below the poverty level. These services would be aimed at preventing dependency and family breakdown, promoting child development and child care, protecting especially vulnerable groups of children and adults, and enabling aged and infirm persons to live in their own homes instead of in institutions.

Services to achieve these goals include services in support of manpower programs, family planning, homemaker services, child care, family and marriage counselling, and temporary emergency assistance and services in times of crisis.

States wishing to avail themselves of 75% Federal matching funds must agree to provide a balanced program of services to meet these goals.

Governors would designate State and local agencies to sponsor the program, but chief elected local officials of cities over 250,000 population would be given authority to designate sponsors for their cities and to draw up local plans.

b. Accountability. The new program would emphasize accountability for fund use and results. A fixed amount of Federal funds would be made available on a yearly basis to the States, in place of the present open-ended appropriation over which the Department has little fiscal or quality control. States would enter into agreements as to specific activities and services they would provide and against which their performance could be measured. Evaluations of each State's programs would be conducted at least every two years, and the Secretary would be required to transmit these evaluations to the news media in the State.

c. Equalization. Widely varying State effort has resulted in an uneven distribution of Federal funds among the States. Accordingly, a special equalization fund of \$50 million will be made available in each of the first four years of the program designed to bring the low effort States up to the 1971 national average of Federal service expenditure per poor person. This is consistent with the approach of the Family Assistance Plan, which attempts to assure the provision of a nationwide floor of assistance.

d. Separation of Services from Welfare. A key element of the proposal, long sought by reformers, is a complete separation of the Individual and Family Services program from cash assistance eligibility and administration.



This is accomplished, first, by making eligibility for services entirely separate from Family Assistance or categorical welfare eligibility. A family or individual would not have to be on welfare to get service, nor do welfare recipients have to be subjected to unwanted services or social worker attention. Anyone below the poverty line would be eligible for free services, and the States could extend assistance to those above the poverty level in return for the payment of a sliding scale fee based on income. Second, the States are required to separate completely the administration of the cash assistance and services programs, using different personnel and agency structures.

## BACKGROUND MATERIAL ON SOCIAL SERVICES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, JUNE 17, 1970

### FEDERAL AGENCIES PROVIDING HUMAN RESOURCES SERVICES

*HEW is the lead agency for human resources services.*—Most HEW services for the poor are provided under the Social Security Act authorities for:

Public assistance and  
Child welfare.

Other closely related human resources services are:

Maternal and child health and crippled children's services;  
Mental health;

Vocational rehabilitation;

Juvenile delinquency prevention and control;

Headstart (now in the Office of Child Development in HEW)  
and Follow Through; and

Indian health services.

*Other Federal agencies active in related efforts are—*

The Department of Interior (especially for Indians);

The Department of Labor (manpower training and supportive social services);

HUD (model cities);

OEO (as part of CAP);

The Department of Justice (in delinquency control); and

Assorted other agencies like the Veterans' Administration and the Appalachian Regional Commission.

### FRAGMENTED SOCIAL SERVICES: DHEW PROGRAMS

*Within the Department of HEW, a range of social services programs has built up over three decades of congressional action which has established separate delivery systems and requirements for various services.*

A single family could effectively benefit from locally based services programs funded from more than half of 210 formula grant programs and nearly all of the 50 formula grant programs supported by the Department.

Effective social services integration within the Department would include those which have some degree of commonality among all

programs with a potential direct impact upon the employability, physical well-being, and motivation of a client or client's family.

In the four major operating components of the Department which handle social service programs—the Social and Rehabilitation Service, the Health Services and Mental Health Administration, the Office of Education, and the National Institutes of Health—there are 21 bureaus which operate programs with current impact upon potential or actual social services recipients at the local level.

*The major burdens of the task of integrating these programs at the local level have fallen upon local officials with little familiarity with the federal administrative structures and policies.*

Creation of an integrated neighborhood delivery system for social services has been the goal of federally funded programs since 1962; a major reason for the fact that no such system exists today anywhere in the Nation is the near-impossibility, using the few administrative tools available, of combining all social services programs funded by the Department.

#### ADMINISTRATION OF PRESENT SYSTEM

*The present welfare system is operative in 54 jurisdictions* (all 50 States plus the District of Columbia, Puerto Rico, the Virgin Islands, and Guam). The system provides for either State or local administration. Of the 54 jurisdictions—

33 are State-administered;

21 are locally administered (mainly at the county level) under State supervision. A few large cities have been designated as administering units (for example, Baltimore and Richmond).

The smaller States usually choose State administration. The large States are mixed—

California and New York are locally administered.

Illinois and Pennsylvania are State-run.

A single State agency is required to run the welfare programs. Since 1967, these include all public assistance services to families and children, as well as child welfare. The State agency—

Prepares the State plan;

Bears budgetary responsibility;

Sets uniform standards and policies that must apply statewide;  
and

Provides field services to assure compliance.

The sequence follows:

The State submits a plan (including local plans where applicable). Agrees to abide by Federal regulations (mainly adminis-

trative). Describes content, scope, and coverage of services (with wide latitude) ;

May include former and potential recipients. The plan is mainly narrative, with few goals, measures of achievement, or later evaluation ;

The Federal Government reviews the plan and provides funds ; and

When appropriate, a new State plan is submitted.

#### SOCIAL SERVICES COST AND CASELOAD

The number of cases receiving federally supported social services (the 1962 amendments to the Social Security Act authorized 75 percent Federal matching of State and local service expenditures) has been rising faster than the welfare caseload rise.

Between 1964 and 1968 the number of cases receiving social services went from 719,000 to 1,300,000, or a rise of about 17 percent per year.

#### SERVICE COSTS

Since 1964, Federal social services costs have risen from \$75.6 million to \$365.8 million.<sup>1</sup>

[Dollar amounts in thousands]

Year	Total	Federal share	Percent change in Federal share over previous year
1964.....	\$100,749	\$75,562	.....
1965.....	156,665	117,499	+55.5
1966.....	213,101	159,826	+36.0
1967.....	248,943	186,707	+16.8
1968.....	306,493	229,870	+23.1
1969.....	478,976	365,755	+59.1

<sup>1</sup> Includes some expenditures claimed at 85 percent.

The reasons for these sharp increases include—

Welfare caseload rise ;

Removal of some restrictions to State social service initiative ;

Combining of child welfare and social services ;

Improved State knowledge on utilizing title IV of the Social Security Act ;

Active promotion of social services by Federal agencies ; and

Growing utilization of services by citizens.

<sup>1</sup> Expenditures for social services claimed at 75 percent rate of Federal financial participation, 1964-69.

Under existing regulations, the total cost of professional staff time devoted to a case identified as a service case is chargeable to social services, even though much of the activity may have been directed toward financial eligibility. On the other hand, no part of agency overhead is charged to services. This, therefore, is not a true measure of the cost of social service effort such as will be available when separation of eligibility and services is accomplished.

The welfare population (recipients of AFDC, OAA, AB and APTD) rose from 5.8 million in 1959 to 10.3 million in 1969, an increase of 78 percent.

#### WELFARE CASELOAD<sup>1</sup>

December of year	Number of recipients	Percentage change from previous December
1959.....	5,760,000	+0.9
1960.....	5,854,000	+1.5
1961.....	6,287,000	+7.4
1962.....	6,499,000	+3.4
1963.....	6,643,000	+2.2
1964.....	6,944,000	+4.5
1965.....	7,125,000	+2.6
1966.....	7,411,000	+4.0
1967.....	8,110,600	+9.4
1968.....	8,896,000	+9.7
1969.....	10,275,000	+15.5

<sup>1</sup> Number of recipients of money payments under federally aided programs, AFDC, OAA, AB, and APTD, December of each year, 1959-69.

#### CHILD WELFARE SERVICES

*Child Welfare services, (adoption, foster care, day care, protective services, etc.) have also grown rapidly.<sup>2</sup>*

#### CHILD WELFARE

Between 1959 and 1969, the number of children receiving public child welfare services doubled. The 1969 Federal expenditure was only 8 percent of Child Welfare expenditures nationwide.<sup>3</sup>

Year	Number of children	Annual percent change	Expenditures (millions)	
			Total	Federal share
1959.....	344,500		\$184.5	\$11.9
1960.....	382,500	+11.0	211.1	13.0
1961.....	403,900	+5.6	224.1	13.7
1962.....	422,800	+4.7	246.0	17.8
1963.....	457,300	+8.2	267.8	26.1
1964.....	487,500	+6.6	313.0	28.8
1965.....	531,600	+9.0	352.0	34.2
1966.....	573,800	+7.9	396.2	39.7
1967.....	607,900	+5.9	452.0	45.7
1968.....	656,000	+7.9	499.7	46.9
1969 (estimated)...	694,000	+5.8	559.9	46.9

<sup>2</sup> Child welfare now operates under title IV-B of the Social Security Act and should not be confused with public assistance ("welfare") programs operating under other titles.

<sup>3</sup> Children receiving child welfare services from State and local public welfare agencies, and expenditures for these services, 1959-69.

## WHO PROVIDES SERVICES

Services are provided by—

Public agencies directly;

Public agencies through contract with voluntary agencies;

Voluntary agencies; and

Independent (profitmaking) agencies.

Social services under title IV of the Social Security Act are provided principally by public agencies through caseworkers-counselors.

Increasingly, however, public welfare agencies are using the sub-contract or purchase of service authority to obtain services through educational facilities, home extension service, private homemaker services, comprehensive programs for school age pregnant girls, and youth-serving voluntary agencies. About \$80 million of the \$509 million to be spent for social services in fiscal year 1971 will be spent under this contract approach.

Nursing home care and extended care for adult recipients is mainly purchased from voluntary and proprietary institutions by public welfare agencies. Other services needed by the aged, blind and disabled may be provided to a limited extent directly or by purchase from voluntary agencies. Vocational rehabilitation services are also utilized as available and appropriate.

## NUMBER OF PUBLIC SERVICE WORKERS

About 30 percent of the total effort of public assistance and child welfare caseworkers is directed toward the provision of social services.

The total of such workers is estimated at 84,400 for fiscal year 1970.

Approximately 25,300 man-years of effort of these workers is devoted to social services.

Some of those workers are engaged exclusively in services, including 15,000 child welfare workers and a few public assistance workers. The great majority of caseworkers are responsible for both assistance and service functions.

The number of caseworkers has been growing steadily in response to the growth in the welfare population, the development of service programs, and Federal mandates to reduce caseloads per worker to manageable proportions for effective performance.

The average caseload in AFDC went down from 92 to 64 cases between 1959 and 1968. In the short period from 1964 to 1968, the average caseload in the adult programs dropped from 193 to 150.

## THE "OPEN-END" APPROPRIATION

Social services under title IV-A of the Social Security Act have historically been funded on a Federal "open end" basis. This has

meant that States are entitled to Federal matching funds for the full amount of State money spent under title IV-A, on a ratio of 75 percent Federal, 25 percent State funds.

Given the broad authority of title IV-A, it has been possible under the open end appropriation for States to pick up the short-falls of other programs under this title. For example, part of the Philadelphia Headstart program was funded temporarily with help from title IV-A of the Social Security Act.

This open ended commitment is partially responsible for—

- Limited knowledge at the Federal level of costs and benefits;
- Rapid growth in spending; and
- Wide variability in services.

#### STATE SOCIAL SERVICE PROGRAMS VARY WIDELY IN SCOPE AND QUALITY

*States vary widely in the extent to which they meet service needs, in the scope and content of their service efforts, and in the quality of services provided.*

Indicators of State variations are:

Rates of children receiving public child welfare services range from 302 per 10,000 State child population in the District of Columbia, to 201 in Minnesota, 127 in Wisconsin, and 120 in New York to 24 in Arkansas, 30 in Nebraska, 37 in Texas, and 47 in Florida;

Sixteen States do not provide social services to adults under State plans that permit 75 percent Federal matching of these services.

While a number of States (for example, Connecticut, Illinois, Louisiana, New York) took the position that all or nearly all AFDC cases were in need of social services, the range for other States went as low as a fourth of the caseload (24 percent in Arizona);

The number of cases per caseworker in AFDC ranges from 38 or 39 in Oregon and the District of Columbia to 120 in Arizona and 140 in Mississippi. Similarly in the adult programs, some States have caseloads under 100 and others are well above 300; and

State per capita expenditures also vary greatly; in child welfare, for example, from \$18 to \$20 per child population under age 21 in New York and the District of Columbia to less than \$2 in Arkansas, Nebraska, Oklahoma, South Carolina, and Texas.

**FEDERAL EXPENDITURES FOR SOCIAL SERVICES AND CHILD WELFARE  
SERVICES BY STATE, ESTIMATES FOR 1971**

Rank	States ranked by average expenditure per poor person	Average ex- penditure per poor person	Estimated Federal ex- penditures, 1971 (millions)
	U.S. total.....	\$14	<sup>1</sup> 546.1
1	California.....	80	175.1
2	Washington.....	57	22.5
3	District of Columbia.....	45	7.3
4	Alaska.....	29	1.1
5	Nevada.....	31	1.1
6	Utah.....	26	3.5
7	Wisconsin.....	25	15.2
8	Hawaii.....	23	2.3
9	Maryland.....	22	11.3
10	Connecticut.....	20	4.8
11	New Hampshire.....	20	1.7
12	New Mexico.....	19	5.4
13	Illinois.....	18	26.0
14	Oregon.....	18	4.7
15	Michigan.....	17	21.2
16	New Jersey.....	16	10.7
17	Wyoming.....	16	.8
18	Rhode Island.....	16	2.1
19	Massachusetts.....	15	9.2
20	North Dakota.....	13	2.2
21	Colorado.....	13	4.0
22	Pennsylvania.....	13	24.0
23	Missouri.....	12	13.1
24	South Dakota.....	12	2.5
25	New York.....	12	28.4
26	Iowa.....	12	7.0
27	Montana.....	12	1.5
28	Delaware.....	11	.8
29	Kansas.....	11	4.5
30	Tennessee.....	10	13.9
31	Georgia.....	10	14.9
32	Nebraska.....	10	3.0
33	Florida.....	9	13.0
34	Oklahoma.....	8	5.7
35	Minnesota.....	8	5.4
36	Louisiana.....	8	10.5
37	Maine.....	8	1.8
38	Idaho.....	8	1.0
39	Vermont.....	8	.7
40	Arizona.....	8	2.4
41	Ohio.....	7	10.6
42	West Virginia.....	6	4.1
43	Indiana.....	6	4.8
44	Virginia.....	5	6.1
45	Texas.....	4	13.3
46	Arkansas.....	4	3.0
47	North Carolina.....	4	6.3
48	Kentucky.....	3	3.9
49	South Carolina.....	2	2.6
50	Mississippi.....	2	2.4
51	Alabama.....	2	2.7

<sup>1</sup> Excludes \$2,200,000 for Guam, Puerto Rico and the Virgin Islands and about \$7,000,000 reserved for the Secretary's discretion



## THE ACCOUNTABILITY PROBLEM

Most of the accounting which has been done under the present system has related to data by which States and localities could prove their adherence to the caseworker-recipient ratio, so that maximum Federal funds could be achieved. *None of the fiscal formulas relate to the quality of the services provided.*

*States have tended to respond to the most favorable Federal matching formula, rather than to—*

The needs of their citizens, and

The success of different services in meeting specified goals.

Moreover, claiming of Federal matching funds for services has been tied to claiming funds for the administration of income maintenance. Only recently have incentives been applied by HEW to encourage States to organizationally separate social service delivery from the income maintenance function, so that the service costs could be broken out as a separate item.

Not all social services *can* be quantitatively measured as to results, because too little is known about what affects human behavior in most circumstances.

But it is possible to measure such tangible social services as—

The number of aged institutionalized persons returned to the community;

The number of persons given vocational rehabilitation, training, or employment;

The number of children of working mothers receiving day care;

The effects of the social service program on delinquency.

This sort of measurement can and should be done to a much greater degree, so that priority planning for effective, tangible, visible, measurable services can be achieved at all governmental levels.

## FACTS ON SOCIAL SERVICES

## TYPES OF SERVICES NOW BEING PROVIDED

Social service programs of public welfare departments are aimed at the four major objectives specified in the Social Security Act—

Self-support;

Self-care and protection of adults;

Maintaining and strengthening family life; and

Fostering child and youth development and protecting children.

1. *Self-support*

Objective: Assist individuals to prepare for, obtain, and hold gainful jobs.

## EXAMPLES

Problem	Service	Number of AFDC families receiving service, 1969	Percent of AFDC caseload
Lack of knowledge or motivation for employment.	Counseling, guidance, and diagnostic services.	829,900	51
Need to find work or have training for work.	Referral for employment or work training.	430,400	26
Illiteracy or other educational need.	Adult basic education or high school equivalency.	161,400	10
Need to overcome disability or health barriers to employment.	Vocational rehabilitation services.	166,300	10

*2. Self-care and protection of adults*

Objective: Assist the aged, blind or disabled adults to manage their own affairs, maintain independence, and provide protection when they can no longer manage on their own.

## EXAMPLES

Problem	Service	Number of cases receiving each service, quarter ended Mar. 31, 1969	Percent of adult caseload
Need to meet health problem.	Health and medical care....	166,700	9
Need to protect the aged or disabled.	Protective service for adults.	92,600	5
Need to avoid premature institutionalization or nursing care.	Service to maintain home..	74,100	4
Need to overcome isolation or personal deterioration.	Improve social relationships and community participation.	18,500	1

*3. Maintaining and strengthening family life*

Objective: Promote family stability, improve family living, and prevent or alleviate family disfunction.

## EXAMPLES

Problem	Service	Number of AFDC families receiving each service, 1969	Percent of AFDC caseload
Need for new or improved housing.	Secure better housing or improve housing conditions.	590,200	36
Need to manage family finances and home.	Improve home and financial management.	883,700	54
Need to plan and space pregnancies.	Family planning.....	479,300	29
Marital problems.....	Counseling and other services related to marital problems.	259,200	16

#### 4. *Fostering child and youth development and protecting children*

Objective: Foster normal growth and development of children and youth and protect neglected, abused, or homeless children.

## EXAMPLES

Problem	Service	Number of AFDC families receiving each service, 1969	Percent of AFDC caseload
Need for compensatory education and preparation for school.	Preschool education.....	185,900	11
Prevent dropouts and help children in school.	Services to assist children to continue their education.	451,600	28
Problems of child adjustment or parent-child relationships.	Counseling and related services on child rearing.	1,089,100	67
Neglect or abuse.....	Protective service.....	79,900	5

#### THE LACK OF "HARD" SERVICES

Public assistance social services have suffered from an overemphasis on the individualized casework approach, characterized by a counseling methodology.

The liabilities of overemphasizing this approach are compounded by the relatively small amount of time caseworkers have been able to spend on social services.

Public assistance caseworkers spend most of their time on eligibility investigation.

They are generally responsible for giving advice about employment, but not for developing jobs for the clients.

They can recommend day care for the children of working mothers, but caseworkers seldom develop day care facilities or even tabulate the recipients' day care needs.

They can counsel a family about dangerous housing, but seldom have time to spend helping clients to find better housing or to persuade landlords to improve facilities.

For the most part, therefore, present casework services are "soft" services. Rather than focusing their time on eligibility determination and individualized casework, there is need for social workers to be more involved in "hard" services with specific objectives and measurable outcomes, such as—

- Developing day care and foster care facilities;
- Home management services;
- Housing services;
- Protective services to children and adults in danger of abuse or exploitation;
- Consumer protection services;
- Family planning services;
- And many others.

## FACTS ON FOSTER CARE AND ADOPTIONS

### FOSTER CARE AS PART OF CHILD WELFARE

*Foster care and adoptions have in the past been part of the services offered under title IV-B of the Social Security Act, "Child Welfare Services."*<sup>4</sup>

#### *Child welfare services*

Foster care and adoptions constitute 50 percent of child welfare services offered by State and local public welfare agencies.<sup>5</sup>

	Number	Percentage
<b>Foster care and adoptions:</b>		
In foster family homes.....	218,000	33
In group homes.....	1,600	1
In institutions.....	62,000	9
In adoptive homes.....	44,800	7
Other child welfare services.....	329,400	50
<b>Total.....</b>	<b>656,000</b>	<b>100</b>

*Voluntary child welfare agencies also help, but their support is declining in proportion to the total need.*

<sup>4</sup> Child welfare is not to be confused with public assistance ("welfare").

<sup>5</sup> Distribution by Living Arrangements of Children Receiving Child Welfare Services from public agencies, March 31, 1968.

In March 1968, one out of four children receiving child welfare services did so from a voluntary agency.

The number of children served by voluntary agencies has remained relatively constant in recent years.

Child welfare services are a growing public responsibility.

#### FOSTER CARE

Foster care (foster family, group, and institutional care) is used for children unable to remain in their own home because of such situations as illness or death of parents, abuse, and neglect.

Fourteen percent of the publicly supported foster children are recipients of AFDC.

Foster care workers are funded from both title IV-A and title IV-B of the Social Security Act.

*But the bulk of public foster care expense falls to States and localities. For the 86 percent of foster children not covered by AFDC, the Federal Government paid less than 2 percent of the cost of their support in 1967.*

#### FOSTER CARE STATISTICS

Large numbers of children are estimated to be in need of foster care services—about one additional child for every five children now in foster care.

	1970	1971	1975
<b>Children:</b>			
(a) Receiving care financed in whole or in part by public agencies....	273,930	287,630	349,610
(b) Receiving care under AFDC.....	40,000	50,000	60,000
(c) Receiving non-AFDC public care..	233,930	237,630	289,610
(d) Receiving care financed totally by private agencies.....	61,220	64,260	78,100
(e) Subtotal receiving care.....	335,150	351,890	427,710
(f) Not receiving but needing care...	67,000	67,670	70,420
(g) Universe of need.....	402,150	419,560	498,130

Foster family care payments are generally much lower than the actual cost of supporting a child. Foster parents must make up the difference in these costs of supporting the child.

PER CAPITA FOSTER CARE COSTS <sup>1</sup>

	1970	1971	1975
A. For publicly supported services.....	\$1,340	\$1,390	\$1,590
B. Administrative costs.....	384	384	384
C. Total public costs.....	1,724	1,774	1,974
D. Costs not financed by public funds....	1,120	1,150	1,300
Total costs.....	2,844	2,924	3,274

<sup>1</sup> Annual unit cost figures (combined average foster family, group, institutional care)

Foster care arrangements differ according to the child's individual need.

Institutions are necessary for some, but cost about three times as much as foster family care.

Group homes are especially useful for teenagers—there is a great need to develop more.

In most cases, foster family care is preferable and the most economical.

Foster family care is primarily a public agency responsibility; institutional care is primarily provided under voluntary agency auspices.

## FACILITIES

	Number	Capacity
Child welfare institutions, total.....	1,400	89,200
Public.....	160	13,800
Voluntary.....	1,200	75,400
Foster family homes, total.....	142,000	305,000
Public.....	104,000	229,000
Voluntary.....	31,300	58,700
Independent.....	3,600	8,800
Group homes, total.....	640	4,400
Public.....	380	2,400
Voluntary.....	210	1,500
Independent.....	54	450

**FOSTER CARE—SOURCE OF FUNDS: ESTIMATES FOR FEDERAL, STATE AND LOCAL, AND PRIVATE FINANCING FOR FISCAL YEAR 1971**

[Dollars in millions]

	Pay- ments for care	Adminis- tration and services	Total
<b>I. Source of funds:</b>			
<b>A. Public financing:</b>			
1. State and local costs .....	\$358.3	\$79.7	\$438.0
2. Federal costs .....	41.7	30.3	72.0
a. IV-A funds .....	(36.3)	(11.4)	(47.7)
b. IV-B funds .....	(5.4)	(18.9)	(24.3)
Subtotal, public financing .....	400.0	110.0	510.0
B. Private financing .....	(1)	(1)	177.0
Total financing .....	(1)	(1)	687.0
<b>II. Federal share of costs:</b>			
A. As a percent of public financing .....	10	27	14
B. As a percent of total financing .....	(1)	(1)	10

<sup>1</sup> Not available.

**NEEDS OF THE FOSTER CARE PROGRAM**

*Increased federal assistance to foster care program is timely because—*

Current payments to foster homes are generally inadequate;

The number of foster homes is inadequate; and

It does not appear likely that State, local, or voluntary agencies will significantly increase foster care expenditures in the foreseeable future.

More emphasis is needed on—

Working with natural parents to prevent or reduce the need for foster care;

Better recruitment and training of foster parents;

Incentives for accepting children with mental, physical, and behavior problems;

More group homes, particularly appropriate for older children;

Research into better care models and technical assistance to States;

More uniform and precise quality standards and guidelines for the many and varied foster care programs now operating in the States.

**ADOPTIONS**

About 170,000 children were adopted in 1969. Increasingly large numbers of adoptions are being handled by public agencies partially funded under title IV-B of the Social Security Act. Funds are expended primarily for adoption staff and secondarily for expenses connected with the adoption process.

## ADOPTION STATISTICS

At the present time approximately 63,000 children in this country who were candidates for adoption in 1969 have not been placed.

	1969	1971	1975
A. Total adoptions .....	(170,000)	(180,000)	(197,400)
By relatives .....	81,000	82,000	85,000
Through voluntary agencies .....	38,500	39,000	40,000
Through public agencies .....	28,000	36,000	48,000
Independent .....	22,500	23,000	24,000
B. Unserved .....	(63,000)	(50,000)	(.....)
C. Universe of need .....	(235,000)	(250,000)	(275,000)

## HARD-TO-PLACE CHILDREN: A CRITICAL NEED FOR HOMES

There is an especially critical need to enhance the adoption of handicapped children and hard-to-place children. Subsidies are lacking for adoptive parents who would be capable of caring for a handicapped child but who lack the income to meet special medical or other remedial needs.

## NEEDS OF THE ADOPTION PROGRAM

*The basic policies on adoptions are contained in State statutes. There are no Federal or local statutes, although there is need for national guidelines which promote innovation and flexibility.*

In many States, some degree of policy change is possible without endangering children, such as—

- Less rigid definitions of who can qualify as an adoptive parent;
- Removal of arbitrary prohibitions against having more than one adopted child;
- Less insistence that child and parents have similar ethnic, religious, physical, or cultural characteristics; and
- Consideration of single parent adoptions under certain circumstances.

There are often inadequate information systems within States to match available children and applicants. Variations in adoption laws and procedures among the States inhibit interstate adoptions.

One important change should be Federal assumption of support for the Adoption Resource Exchange of North America (ARENA).<sup>6</sup>

<sup>6</sup> ARENA was established by Child Welfare League of America, a private organization, in 1967. Its purpose is to bring together for adoption those children for whom public and private adoption agencies can find no adoptive families and families for whom agencies have no children. Agencies register names of children who are waiting to be adopted and names of 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 international effort helps to overcome uneven availability of homeless children and suitable adoptive families.

A particular objective of ARENA is to find more homes for children of minority groups,



Such Federal support would promote the following goals—

Removing geographical separation as a problem in linking adoptive parents to children awaiting adoption;

Moving toward a cooperative adoption effort with the Canadian and Mexican Governments; and

Finding more homes for hard-to-place children.

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mixed racial background, and children with physical or psychological problems. To date, about 300 children have been placed for adoption through the efforts of ARENA since its inception. (Since the first 9 months were spent in planning and organizing the program, the period during which these children were placed covers only about 1 year.)

Currently, CWLA is operating ARENA as a demonstration project financed by foundation grants, a contract with the Bureau of Indian Affairs, Department of the Interior, and other contributions. The estimated cost is \$500,000 per year. These funds are not expected to be available after 1971.

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**PART 3**

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**Low-Income Families in Subsidized Housing**

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## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT STATEMENT

ON

## LOW-INCOME FAMILIES IN SUBSIDIZED HOUSING

The Administration's income strategy must consider all forms of Federal aid to low-income families. One such form of aid is subsidized housing. The principal subsidy programs providing housing for families with low income, including those receiving income assistance, are the low-rent public housing program authorized under the U.S. Housing Act of 1937 and the rent supplement housing program authorized under the Housing and Urban Development Act of 1965.

Problems of Existing System

Under the existing public housing program there is no assurance of uniformity in the amount of housing subsidy provided for low-income families. Nor is there uniformity in the criteria for adjusting or curtailing subsidy benefits on the basis of changes in family earnings. Each local public housing agency establishes its own rent requirement, subject to a statutory limitation that rents may not exceed one-fourth of the family's income. As a result,

the percentage of income which a family must contribute to its housing expense varies among localities. Even within a single public housing project, two families of the same size with similar money incomes may pay different amounts in rent because one of them receives income assistance and the other does not. The law also can require that a family move from public housing when its income exceeds the locally established limitation for continued occupancy. This potential loss of housing benefits may constitute a disincentive to increased work effort. The present rent supplement program does not create these serious problems. Under this program there are no continued occupancy restrictions, and the subsidy amounts are adjusted uniformly based on changes in family income.

#### Proposed Amendment

This amendment would establish uniform rent criteria for public housing based on income. A standard definition of income would be used. The amendment would eliminate rent-income inequities so that all public housing tenants, including families receiving income assistance, would pay the same fair and equitable proportion of their money income for rent. It would also eliminate the present

statutory requirement for income limits on continued occupancy.

Specifically the amendment requires that all families in public housing units contribute 20 percent of the first \$3,500 of their income plus 25 percent of any income in excess of that amount. Under the uniform definition, the total income of all members of the family would be included in the rent computation, except that the Secretary would have discretion to exclude nonrecurring income and income of minors. To assist large families, there would also be an additional exclusion from income of \$300 for each child after the second residing in the household. To avoid hardship on families now in public housing, the amendment provides that where increases in rent would be required under the uniform criteria, the increase would be phased over a period of time. These provisions are drawn from the Administration's proposed Housing and Urban Development Act of 1970, currently under review in Congress. They are being transmitted to this Committee as a possible means of eliminating inequities and possible work disincentives of the existing program. The Committee may want to consider this amendment in conjunction with its deliberation on the Family Assistance Program.

## PUBLIC HOUSING RENT AND OCCUPANCY REQUIREMENTS

SEC. . (a) Section 2(1) of the United States Housing Act of 1937 is amended by striking out the second paragraph and inserting the following in lieu thereof:

"Income limits for occupancy shall be fixed by the public housing agency and approved by the Secretary. Rents shall be fixed for low-rent dwelling units in accordance with section 10(g) of this Act."

(b) Section 10(g) of the United States Housing Act of 1937 is amended --

(1) by striking out all that follows "families living in the project" in paragraph (3) and inserting in lieu thereof a semicolon;

(2) by striking out the period at the end of paragraph (4) and inserting in lieu thereof "; and "; and

(3) by adding the following new paragraph:

"(5) For each low-rent housing dwelling unit there shall be established with the approval of the Secretary (i) a fair market rental charge on the basis of operating the project with payments of principal and interest which the public housing agency is obligated to pay on the capital cost of the project; and (ii) a basic rental charge determined on the basis of operating the project without the need to make payments of principal and interest. In the case of low-rent housing in private accommodations provided under section 23 of this Act, the fair market rental charge shall be the rental which the owner receives for the dwelling unit plus the cost of utilities and necessary services not included in such rental and the basic rental shall be the basic rental charge which is or would be established for a similar dwelling unit in a project owned by the public housing agency. The rental required to be paid by a family which occupies a dwelling unit in a low-rent housing project, which may not exceed one-fourth of the family's income, shall be at the basic rental charge or such greater amount, not exceeding the fair market rental charge, as represents one-twelfth of the tenant's income contribution; except that for dwelling units with respect to which the Secretary has contracted to pay annual contributions to make up the difference between the basic rental charge and the rental charged the tenant family, the rental charge shall not exceed an amount equal to one-twelfth of the tenant's income contribution. The tenant's income contribution shall be an amount determined by adding 20 per centum of that portion of the tenant's income which does not exceed \$3,500 and 25 per centum of that portion of the tenant's income in excess of \$3,500. In determining

the income of any family for the purposes of this paragraph, income from all sources of each member of the family in the household shall be included, except that there shall be deducted an amount equal to \$300 for each minor person in the family's household in excess of two and the Secretary may, in his discretion, exclude income earned by any minor person and any income he determines nonrecurring."

(c) If the rental provisions in section 10(g)(5) of the United States Housing Act of 1937 would require the establishment of an increased rental charge for a family which occupies a low-income housing dwelling unit on the effective date of this section, the required adjustment in the family's rent will be accomplished as follows: (1) when the public agency makes the first review of the family's income pursuant to section 10(g)(3) of the Act which occurs at least one year after the effective date of this section, the family's monthly rent will be increased by an amount equal to one half the additional amount of rent which would then be required pursuant to section 10(g)(5); and (2) the family's monthly rental charge will be increased to the full amount of the rental charge required under section 10(g)(5) when the public housing agency makes its next review of the family's income. Increases in rentals for such families will be effective the first day of the month immediately following the month in which the public housing agency makes the review of family income.

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**PART 4**

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**Family Health Insurance Plan**

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## **FAMILY HEALTH INSURANCE PLAN—DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, JUNE 12, 1970**

### *Introduction*

President Nixon recently announced the “second legislative stage of the administration’s income strategy against poverty,” a fundamental reform of the medicaid program. The present system of providing medical care for the poor is hampered by serious faults. Today’s medicaid program varies greatly in coverage among States, and is inequitable in its treatment of families and individuals. Moreover, it often creates a serious disincentive to increased work effort. The President promised to transmit to the Congress a new family health insurance program by mid-February 1971, designed to overcome these weaknesses.

This important new initiative is the result of a comprehensive review of the relationship between the family assistance plan and other programs to assist the poor. The primary purpose of this intensive study was to strengthen work incentives for a number of welfare programs.

The administration’s consideration of these issues was wide-ranging, incorporating the advice and ideas of academic experts and other knowledgeable people in the medical world—public and private. This review produced a set of basic principles which reflect and complement the companion principles in the family assistance plan. These principles:

- Promote equitable treatment of people in similar circumstances,
- Base benefits on consistent measures of need, and
- Avoid the abrupt termination of benefits with increased income—the “notch” problem or work disincentive effect.

The administration is convinced that these principles are valid and can overcome the problems in the current system of providing medical care for the poor. The specific details and operational guides will be developed in the months ahead, and will be embodied in the President’s proposal to be transmitted by February 15, 1971. In addition to the financing and delivery of health care services for low-income families, the administration will also address the problems of shortages and maldistribution of health manpower, facilities, and the rising costs of health care.

The current set of principles is limited in application to families eligible for the family assistance plan. Health care problems for the new combined adult assistance program involve greater needs for

long-term medical and custodial care and rehabilitative services—quite different in kind from the preventive and acute-care needs of younger adults and children. These problems will be given separate consideration, and will draw upon the studies done by the Advisory Council on Social Security, scheduled to report in December of this year.

*The Need for Health Care Services for Low Income Groups*

One of the most critical problems of public policy now and in the next several years is the financing and delivery of health care services. The problem affects people at every income level. It is particularly acute for the poor and medically needy who are limited by their inability to purchase care and by the lack of availability and assessability of health care services in many urban and rural areas. Despite the efforts made over the past several years by the medical industry and public programs, the need for more and better health services remains, particularly for the young and for working poor families and their children.

In recent years, major steps were taken to provide greater access to health care services for disadvantaged persons through the lowering of financial barriers to care and through efforts to create additional health service resources in urban and rural areas. These initiatives included medicare and medicaid, expanded maternal, child health, and family planning services, and neighborhood health centers.

In 1969, \$8.9 billion was spent by the Federal Government for medicare and medicaid, with \$6.6 billion going to medicare and \$2.3 billion going to medicaid. The States and localities spent an additional \$2.3 billion under medicaid. Even with these major public expenditures and with much smaller expenditures from other public programs, striking needs remain. Medicaid is expected to reach 13 million people in fiscal 1971, with 45 percent of the expenditures going for the care of the aged (to supplement medicare), although the aged represent only slightly more than one-third of the medicaid population. If one counts the children who receive services under medicaid, the maternal and child health programs and the neighborhood health centers, about 6.5 million out of the 19 million poor children in the Nation will receive some publicly assisted health services.

The gap is not met by private insurance. While 80–85 percent of the total population is covered for some benefits through insurance, the proportion of the population covered varies directly with income and coverage varies substantially by types of service, by region and age groups. Only 36 percent of the population with incomes under \$3,000 has some hospital insurance coverage. Fifty-six percent of the population with incomes under \$5,000 have some coverage. However, only 23 percent of children under age 17 in families with incomes under \$3,000

and less than 50 percent of children in families with incomes under \$5,000 are covered. Coverage for all groups is most complete for hospitalization. It moves in a declining manner for all income groups along a scale running from inpatient and surgical services, to outpatient services.

### *The Present Medicaid Program*

Title XIX of the Social Security Act established the Medicaid program and provides Federal financial assistance to States to cover certain medical expenses of specified groups of low-income people. The program is a State option program which all but two States, Alaska and Arizona, have implemented. Operation of the program is analogous to welfare in nearly every sense. Considerable discretion is given to the States over the range of medical services provided, the eligibility criteria for recipients, and the groups of the population covered. The results are similar: dissimilar treatment of people living in different States, wide ranges in coverage and growing costs.

Three basic types of coverage may be provided with Federal matching:

#### *(1) Coverage for Public Assistance Recipients:*

If a State elects to participate at all in title XIX, it must cover persons eligible for the categorical public assistance programs. Forty-eight States and the District of Columbia, Guam, Puerto Rico, and the Virgin Islands offer such coverage to all persons eligible for the four categorical public assistance programs: aid to the aged, the blind, the permanently and totally disabled, and families with dependent children. Coverage extends upward through the income scale to the cash assistance "breakeven points." States electing to cover this categorical population must provide the same benefits to persons in all categories. The standard mandatory "package of benefits" for persons so covered includes inpatient hospital care, outpatient hospital care, skilled nursing home care for persons over age 21, physicians' services, other lab and X-ray services, and, effective July 1, 1970, home health services for persons entitled to nursing home care. Contingent on regulations issued by the Secretary, the following services will also be mandatory, early and periodic screening, diagnosis, and treatment of eligible children under 21 will also be mandatory. These services are provided at no cost to the patients. Additional services, physical therapy, dental care, eye glasses, hearing aids, and prosthetic devices may be covered as the State chooses.

#### *(2) Coverage for "Medically Needy":*

In addition to the categorically assisted population, States may receive Federal matching for extending the same or more limited benefits to "categorically related" persons who are medically needy. Typically, these are persons who would qualify for public assistance

programs—because they are aged, blind, disabled, or members of families with dependent children with one parent absent or incapacitated—but whose income exceeds the public assistance levels, or who do not meet one or more of the nonincome eligibility requirements for public assistance (for example the assets test). As of march 1970, 28 States or possessions had extended coverage to the medically needy. The range and scope of services offered to the medically needy varies considerably by States.

*(3) Coverage for Children of the "Working Poor":*

Seventeen States have also opted to provide a range of health services to the children of families who do not qualify for cash assistance under the categorical program, but whose income is less than 133 $\frac{1}{3}$  percent of the amount paid to an AFDC family of comparable size, or whose income after medical expenses is below that level. In these States, children of families headed by working males, for example, may be eligible for health benefits supported by State and Federal funds. Adults in these families would not be eligible for medical benefits, regardless of family income. (New York is the only State offering health benefits to such adults—but without Federal contributions to this aspect of their program.)

The income eligibility limits for the medically needy cannot exceed 133 $\frac{1}{3}$  percent of the amount ordinarily paid to an AFDC family of four without income, with appropriate scaling for different size families. (In order to limit expenditures under the program 18 States have adopted an income limit below the 133 percent line for the medically needy.) Families may become eligible for medicaid benefits in the medically needy category if their net incomes after deducting their medical expenses do not exceed the income limit set by the State for the medically needy. Thus, if a State such as Illinois sets \$3,600 as the ceiling for its definition of medically needy for a family of four, a family with \$4,800 of income would generally become eligible for medical benefits if it spends \$1,200 on medical care (the difference between the family's income of \$4,800 and the \$3,600 income cut-off level for the medically needy).

*The problems*

The medicaid program creates some of the most severe problems in our current system of cash and in kind transfer programs. These include work disincentives and inequities between categories of equally needy people. Although some of the notches are mitigated for the minority of the working poor who have some health insurance coverage, or who have low health care needs, the tie between the medicaid program and public assistance categories perpetuates the same inequities and notches that exist in the public assistance programs.

These problems can be summarized as follows:

### *1. Geographical inequities*

State by State variations in coverage, benefits, and eligibility produce inequitable distribution of Federal resources among needy people. Within broad Federal guidelines, States have considerable discretion in deciding whether to participate in medicaid (two States do not participate), whether to cover the public assistance categories alone, or to cover the medically needy and children under 21. Scope and duration of services vary as do the less tangible factors such as frequency of eligibility determination and stringency of asset tests. These variations are reflected in dollar differentials in average benefit levels by State (although these differentials in part are due to differences in medical care costs). For example, while the average medical benefit per AFDC family in 1969 was \$660 from both Federal and State funds, the range extended from 0-\$1,210 per family. Eight States accounted for 73 percent of the total Federal and State medicaid payments.

### *2. Categorical inequities*

The exclusion from Federally assisted medical benefits of families not eligible for categorical programs aggravates the existing inequities of the public assistance program. Male-headed families are commonly excluded. The discrimination against the working poor-intact family in cash assistance program is exacerbated and is particularly serious for families with high health care needs. The inequity becomes more acute as rising medical costs reduce the ability of low-income people without public and private coverage to buy care. Thus, the working poor must often defer medical attention or compete at a disadvantage for scarce services. As a result, medicaid compounds the problem created by AFDC when a man working full time could be better off if he were on welfare.

### *3. Vertical notches*

While medicaid for the medically needy allows for cost sharing on a sliding scale through such things as deductibles, administrative complexities have precluded effective cost sharing arrangements. As a result, there are severe notches when income reaches the welfare cutoff point or the medically indigent cutoff point. For categorically needy persons with incomes below the welfare cutoff, the full range of medical benefits offered by the State is provided. Above the cutoff, no coverage is provided in 26 States. By earning a single dollar over the welfare break-even point, a former recipient may suffer a considerable net loss of combined income and health benefits.

The medically needy provisions in States which have taken that option do not mitigate the abrupt termination effect. First, these are differences between benefits provided to categorical recipients and the

medically needy in several States. Second, the earnings disregard provisions adopted in 1967 for AFDC and AFDC-UF had the effect of raising the breakeven point for welfare benefits above the 133 $\frac{1}{3}$  percent of the maximum payment limit set for the medically needy. To become medically needy, recipients therefore have to "spend down" income on medical expenses to a net income lower than that which they might receive if they were on welfare and hence on medicaid. For example, in Chicago, a female-headed family of four is eligible for welfare up to the State breakeven point, generally in excess of \$5,000. Once the family has worked off welfare, however, it must "spend down" on health-related expenses to the medically needy maximum of \$3,600 to regain medicaid eligibility.

### *Solutions*

There are several approaches to deal with the structural problems of the current medicaid program. Some of the possible approaches would be broader in scope than solving the immediate problems of family assistance families and would require changes in the current Federal health commitment and even substantial shifts and/or increases as between expenditures in the public and private sectors. Major investments would also be needed in the supply of and organization and delivery of health services.

The complexities of these approaches are such that implementation would be long range. Therefore, solutions which are possible within current medicaid expenditure constraints have been considered. Some of the approaches that have been examined to smooth out the notch problems and reduce the horizontal inequities between the AFDC population and the family assistance population are as follows:

- (a) Substitute income-tested cash benefits for medical benefits.
- (b) Implement cost sharing provisions by development of copayment, coinsurance and/or deductible provisions with larger family contributions as income rises.
- (c) Develop a participatory health insurance benefits plan for family assistance plan families with income tested family contributions.

Under options (a) and (b) serious notches and inequities could still remain. Under Option (c) decision would need to be made as to the level of contributions, type of benefits to be covered, level of benefits, underwriting and administration, availability of services and options for health services delivery.

The notches and inequities would continue to exist under (a) and, to some extent, under (b) for the following reasons:

1. The incidence of medical costs is very unevenly distributed across persons and families within or across income classes. Thus it would be neither logical nor economically feasible to attempt to replace medi-

cally earmarked benefits by an across-the-board rise in income maintenance payments. Given the high cost of medical care, covering any reasonable proportion of the maximum medical costs likely to be incurred by a low-income family would require a substantial increase in the minimum cash benefit available to all families and a consequent windfall to those lucky enough to avoid any sizable medical costs. Replacing medical benefits by a welfare payment increase, reflecting perhaps the average medicaid benefit per recipient, would still produce windfalls for the healthy and, in the case of those with substantial medical costs, would still place an intolerable financial burden on the family. Ultimately, the Government or private sector would still be forced to assume the cost of any large medical liabilities incurred by poor families.

2. Income-conditioned deductibles would help reduce the vertical notch. Deductibles, however, require cumulation of a certain level of expenditures before any benefits are received and can result, particularly among low-income families, in delays in seeking needed care. The burden of payment is also concentrated rather than spread more evenly over time. Moreover, deductibles cannot wholly eliminate the vertical notch problem within the recent medicaid structure without being set at intolerably high levels. In a high average medicaid payment State, such deductibles would have to reach an absurd level of \$600–\$1,000 per year at higher income ranges to eliminate the problem of abrupt termination of benefits when earnings pass a given point.

3. Coinsurance (that is, a requirement that the family pay a specified fraction of medical bills incurred) would still leave the family vulnerable to heavy expenses in the event of large medical bills. Moreover, unless the rate of contribution is very steeply graduated by income, coinsurance would require subsidization up to unacceptably high income level.

These options limit the liability of covered families while increasing their contribution as incomes rise, but it is virtually impossible to entirely phase out the Federal subsidy for major medical expenses with these devices alone. Moreover, they probably should not be applied to preventive medical services since that would shift utilization more toward costly hospital care and ultimately increase the medical expenses of the family.

*Moreover, none of the above options address the problem of the horizontal notch in the current medicaid program—the problem which results in working men being less well off than those who are not working and on welfare. Only extension of coverage to noncategorical families will eliminate this inequity.*

#### *A. Preferred Alternatives*

For the reasons cited above, the most promising alternative for restructuring the medicaid program is a move toward some form of

graduated contributory insurance. This insurance would cover either for the entire family or limited primarily to children. Insurance is the one income protection technique precisely devised for dealing with expenses which, are high in comparison to probable income, yet which are unevenly distributed in incidence and over time. An insurance scheme spreads the risk of medical expenses evenly across the entire potential recipient group. The cost per recipient is thus reduced to a level such that makes a reasonable rate of contribution possible without an unduly high level of marginal tax or benefit cutoff. Defined benefits and liabilities under an insurance program, combined with a known enrolled population, would also provide better predictability of expenditures.

It is possible to rationalize the medicaid program by providing a Federal floor of health benefits on an insurance basis, with family contributions scaled by income, in much the same way that the family assistance plan provides a Federal income floor with benefits scaled by family income.

Using this approach, a basic health insurance package could be provided to all families with children. Coverage might be mandatory for families receiving family assistance benefits where their cash benefits were equal to or in excess of the required premium. The premium contribution, based on family income could be deducted automatically from each family's benefits beginning at a certain income level. For families not receiving cash assistance (that is, those with incomes above the family assistance break-even point but not in excess of the insurance plan break-even) or those with assistance payments less than the required contribution, participation could be made optional. It would also be desirable to make coverage optional for those families, whether or not below the FAP payment level, with employer-subsidized or group health insurance plans, provided the plan meets specified requirements.

The contribution schedule under the program could be scaled to level of, say, \$5,000-\$6,000 for a family of four. Families with incomes above this hypothetical cutoff level would not be allowed to enter the program, although those already enrolled might be permitted to retain coverage by paying the full premium cost when their incomes rise above the cutoff.<sup>1</sup>

This approach would differ from a national health insurance program since it is limited by an income test to low-income persons, and because it would not include single persons, childless couples, or adult category recipients. Nor is it designed to supersede adequate private coverage already in force. Since the basic insurance package would be federally financed, the current State share of medicaid costs could be

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<sup>1</sup> Similar in approach to the buy-in included in the 1970 Social Security amendments.



released and States could be encouraged (or mandated) to use these funds to supplement the basic benefits. This would help to insure that families in State currently providing high benefit levels under medic-aid would not suffer substantial reductions in benefits under the new program.

Completely comprehensive contributory insurance coverage with no deductibles or coinsurance is expensive. Estimates for such coverage range as high as \$900–\$950 per family. Insurance coverage providing benefits comparable to current medicaid benefits in all but the highest expenditure States now would average about \$650 per AFDC family. Insurance coverage equaling the Federal contribution to medicaid would average about \$350 per family. The net cost to the Federal Government at this level, of course, depends on the size of the population to be covered and the contributory scale.

### *B. Possible Variations*

One approach to the cost problem, that would assure comprehensive benefits and low contributions, would be to concentrate the Federal benefits primarily on children. The State insurance supplement could be directed toward the adults. While the composition of benefits to be included for the whole family could vary, it is anticipated that benefits would be designed to emphasize the medical needs of children and to encourage preventive care, early diagnosis and treatment and out-patient care.

Benefits could include:

(a) The same range of benefits included in parts A and B of medicare with a shorter number of hospital days (30) and no extended care facility benefits.

(b) No deductible or coinsurance for children.

(c) No coinsurance feature for adults, but possible retention of a small deductible for inpatient care or outpatient care for adults (excluding preventive services).

(d) Addition of maternity and preventive services.

(e) Exclusion of private psychiatric care, physiotherapy, appliances.

(f) Dual choice—to receive services either through traditional providers or health maintenance organizations, prepaid group practices, neighborhood health centers.

A complementary approach would involve an increase in the family assistance payment of, perhaps, \$100 for a family of four timed to go into effect with the commencement of the insurance plan. In this manner, the cost impact of the contribution requirement on the family can be eased and perhaps a more comprehensive set of benefits designed.

Consistent with the administration's efforts to improve the organization, delivery and productivity of health care services and to constrain costs, a comprehensive program would include incentives for effective use of services and utilization review.

An example of a possible contributory schedule and premium value is appended.

#### *Supply-demand problems*

One of the most serious problems of extending benefits to additional groups of low-income families is the shortage of manpower, facilities and services, particularly in areas of concentrated poverty. While extension of medicaid coverage to new population groups is partly a shift from one source of financing to another, the assurance of adequate financing will produce increased demands on available services. Past experience with the introduction of the medicare and medicaid programs has shown that without corresponding increases in services or improvements in organization, delivery and productivity, a price inflation may result.

The administration will be prepared to address measures to increase the availability and accessibility of services in low-income areas.

#### *Conclusions*

The approach the administration will ultimately propose would seek the following objectives:

It will not differentiate between low-income male and female-headed families, nor between the unemployed and working poor, thereby eliminating the disincentives to work and family stability that now affect medicaid.

It will be graduated with respect to contributions so that the Federal subsidy can be phased out at a reasonable income level, individual contributions can be kept within the financial ability of a family, and no notches are produced,

It will replace the current multiplicity of State eligibility standards by a single uniform national standard,

It will provide a Federal floor of health benefits available to all poor families with children, which the States could then supplement.

The benefits will be tailored to provide encouragement of the use of lower cost outpatient services, prevention and early care and reimbursement policies designed to encourage efficiency, economy and utilization control; and

It can be provided without significant increases in Federal funds beyond medicaid expenditures projected for 1972.

In the months ahead, in consultation with the health industry, insurance companies, public health officials, and experts in health eco-

nomics, details of this approach will be developed. An amendment to the Family Assistance Act is being submitted at this time, requiring the Secretary of HEW to submit legislation by February 15, 1971. The reform of medicaid is of sufficient seriousness, and the problem so complex, that it would be unwise to attempt to present a specific plan at this time. But the goals and major principles of the plan are clear.

## APPENDIX

*Illustrative contribution schedule: \$500 premium value per family*

This hypothetical plan could allow a zero contribution rate on the first \$1,600 of income (the family assistance plan payment for a family of four with no other income) plus 5 percent of income between \$1,600 and \$3,000, plus 10 percent of income between \$3,000 and \$4,500, plus 25 percent of income between \$4,500 of a cutoff level of \$5,620.

Total family income including transfers	Medical contribution rate	Family contribution at income level
	(Percent)	
\$1,600.....	0	0
3,000.....	5	\$70
3,600.....	10	130
4,000.....	10	170
4,500.....	10	220
5,000.....	25	345
5,620.....	25	500

*Benefits.*—A \$500 health insurance plan would exceed the current average medicaid value AFDC families in 28 States, including State and Federal funds. It would exceed the Federal portion of average AFDC family medicaid value (currently about \$350) in 45 States, and the State funded portion (currently about \$310) in 48 States. These costs and benefits do not include State contributions to family medically needy benefits. These costs and benefits in nearly every State would be exceeded by a Federal \$500 health insurance plan.

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**PART 5**

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**Text of H.R. 16311 as Revised and Resubmitted by Administration**

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**[COMMITTEE PRINT]**

JUNE 23, 1970

**NOTE:** This committee print contains the amendments to H.R. 16311 recommended by the Department of Health, Education, and Welfare for consideration by the Committee. Matter proposed to be stricken is printed in linetype or enclosed in brackets and matter proposed to be inserted is printed in italic.

This material has not been reviewed by the Committee on Finance, by any member thereof, or by the Committee staff. It is being published solely for the information of the public.

An explanation of the amendments prepared by the Department of Health, Education, and Welfare begins at page 155.

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91<sup>ST</sup> CONGRESS  
2<sup>D</sup> SESSION

**H. R. 16311**


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IN THE SENATE OF THE UNITED STATES

APRIL 21, 1970

Under the order of April 20, 1970, received, considered as having been read twice, and referred to the Committee on Finance

**AN ACT**

To authorize a family assistance plan providing basic benefits to low-income families with children, to provide incentives for employment and training to improve the capacity for employment of members of such families, to achieve greater uniformity of treatment of recipients under the Federal-State public assistance programs and to otherwise improve such programs, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 *That this Act, with the following table of contents, may be*
- 4 *cited as the "Family Assistance Act of 1970".*

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1           **TITLE I—FAMILY ASSISTANCE PLAN**2           **ESTABLISHMENT OF FAMILY ASSISTANCE PLAN**

3           **SEC. 101.** Title IV of the Social Security Act (42  
4 U.S.C. 601 et seq.) is amended by adding after part C  
5 the following new parts:

6           **"PART D—FAMILY ASSISTANCE PLAN**7           **"APPROPRIATIONS**

8           **"SEC. 441.** For the purpose of providing a basic level  
9 of financial assistance throughout the Nation to needy  
10 families with children, in a manner which will strengthen

1 family life, encourage work training and self-support, and  
2 enhance personal dignity, there is authorized to be appro-  
3 priated for each fiscal year a sum sufficient to carry out this  
4 part.

5 "ELIGIBILITY FOR AND AMOUNT OF FAMILY ASSISTANCE  
6 BENEFITS

7 "Eligibility

8 "SEC. 442. (a) Each family (as defined in section  
9 445)—

10 "(1) whose income, other than income excluded  
11 pursuant to section 443 (b), is less than—

12 "(A) \$500 per year for each of the first two  
13 members of the family, plus

14 "(B) \$300 per year for each additional mem-  
15 ber, and

16 "(2) whose resources, other than resources ex-  
17 cluded pursuant to section 444, are less than \$1,500,

18 shall, in accordance with and subject to the other provisions  
19 of this title, be paid a family assistance benefit.

20 "Amount

21 "(b) The family assistance benefit for a family shall  
22 be payable at the rate of—

23 "(1) \$500 per year for each of the first two mem-  
24 bers of the family, plus

25 "(2) \$300 per year for each additional member,

1 reduced by the amount of income, not excluded pursuant  
2 to section 443 (b), of the members of the family.

3 "Period for Determination of Benefits

4 " (c) (1) A family's eligibility for and its amount of  
5 family assistance benefits shall be determined for each quar-  
6 ter of a calendar year. Such determination shall be made on  
7 the basis of the Secretary's estimate of the family's income  
8 for such quarter, after taking into account income for a pre-  
9 ceeding period and any modifications in income which are  
10 likely to occur on the basis of changes in conditions or cir-  
11 cumstances. Eligibility for and the amount of benefits of a  
12 family for any quarter shall be redetermined at such time or  
13 times as may be provided by the Secretary, such redeter-  
14 mination to be effective prospectively and such estimate shall  
15 in turn be based on income for a preceding period unless he  
16 has reason to believe that modifications in income have or are  
17 likely to occur on the basis of changes in conditions or circum-  
18 stances. The Secretary shall redetermine eligibility for and  
19 amount of benefits of a family for a quarter if at any time  
20 during such quarter he has reason to believe that there have  
21 been changes affecting such eligibility or amount of benefits,  
22 and such redetermination shall be effective beginning with the  
23 month following the month in which such redetermination is  
24 made.

25 " (2) The Secretary shall by regulation prescribe the

1 cases in which and extent to which the amount of a family  
2 assistance benefit for any quarter shall be reduced by reason  
3 of the time elapsing since the beginning of such quarter and  
4 before the date of filing of the application for the benefits. *In*  
5 *the case of an application for family assistance benefits which*  
6 *is filed after the first day of a quarter, the amount determined*  
7 *pursuant to paragraph (1) for such quarter shall be reduced*  
8 *by an amount which bears the same ratio to the amount deter-*  
9 *mined pursuant to such paragraph as the number of days in*  
10 *the quarter preceding the date on which the application was*  
11 *filed bears to the total number of days in such quarter.*

12 “(3) The Secretary may, in accordance with regula-  
13 tions, prescribe the cases in which and the extent to which  
14 income received in one period (or expenses incurred in one  
15 period in earning income) shall, for purposes of determining  
16 eligibility for and amount of family assistance benefits, be  
17 considered as received (or incurred) in another period or  
18 periods.

19 “Special Limits on Gross Income

20 “(d) The Secretary may, in accordance with regula-  
21 tions, prescribe the circumstances under which the gross  
22 income from a trade or business (including farming) will be  
23 considered sufficiently large to make such family ineligible  
24 for such benefits.

;) )

“Puerto Rico, the Virgin Islands, and Guam

2 “(e) For special provisions applicable to Puerto Rico,  
3 the Virgin Islands, and Guam, see section 1108 (e).

4 “INCOME

5 “Meaning of Income

6 “SEC. 443. (a) For purposes of this part, income means  
7 both earned income and unearned income *reduced by*  
8 *amounts paid or withheld pursuant to chapter 1 or 24 of the*  
9 *Internal Revenue Code of 1954 as personal income tax;*  
10 and—

11 “(1) earned income means only—

12 “(A) remuneration for services performed as  
13 an employee (as defined in section 210 (j) ), other  
14 than remuneration to which section 209 (b), (c),  
15 (d), (f), or (k), or section 211, would apply; and

16 “(B) net earnings from self-employment, as  
17 defined in section 211 (without the application of  
18 the second and third sentences following clause (C)  
19 of subsection (a) (9) ), including earnings for serv-  
20 ices described in paragraphs (4), (5), and (6)  
21 of subsection (c) ; and

22 “(2) unearned income means all other income,  
23 including—

24 “(A) any payments received as an annuity,  
25 pension, retirement, or disability benefit, including  
26 veteran’s or workmen’s compensation and old-age,

1 survivors, and disability insurance, railroad retire-  
2 ment, and unemployment benefits;

3 “(B) prizes and awards;

4 “(C) the proceeds of any life insurance policy;

5 “(D) gifts (cash or otherwise), support and  
6 alimony payments, and inheritances; and

7 “(E) rents, dividends, interest, and royalties.

8 “Exclusions From Income

9 “(b) In determining the income of a family there shall  
10 be excluded—

11 “(1) subject to limitations (as to amount or other-  
12 wise) prescribed by the Secretary, the earned income of  
13 each child in the family who is, as determined by the  
14 Secretary under regulations, a student regularly attend-  
15 ing a school, college, or university, or a course of voca-  
16 tional or technical training designed to prepare him  
17 for gainful employment;

18 “(2) (A) the total unearned income of all mem-  
19 bers of a family in a calendar quarter which, as de-  
20 termined in accordance with criteria prescribed by the  
21 Secretary, is received too infrequently or irregularly to  
22 be included, if such income so received does not exceed  
23 \$30 in such quarter, and (B) the total earned income  
24 of all members of a family in a calendar quarter which,  
25 as determined in accordance with such criteria, is re-

1       ceived too infrequently or irregularly to be included, if  
2       such income so received does not exceed \$30 in such  
3       quarter;

4       “(3) an amount of earned income of a member of  
5       the family equal to ~~all~~, or such part ~~(and according to~~  
6       ~~such schedule)~~ as the Secretary may prescribe, of the  
7       cost incurred by such member for child care which the  
8       Secretary deems necessary to securing or continuing in  
9       manpower training, vocational rehabilitation, employ-  
10      ment, or self-employment *except that such amount may*  
11      *not exceed the cost, established for purposes of section*  
12      *436(c), of comparable child care;*

13      “(4) the first \$720 per year (or proportionately  
14      smaller amounts for shorter periods) of the total of  
15      earned income (not excluded by the preceding para-  
16      graphs of this subsection) of all members of the family  
17      plus one-half of the remainder thereof;

18      “(5) food stamps or any other assistance (except  
19      veterans' pensions) which is based on need and fur-  
20      nished by any State or political subdivision of a State  
21      or any Federal agency, or by any private charitable  
22      agency or organization ~~(as determined by the Secre-~~  
23      *tary described in section 501(c) (3) or (4) of the Inter-*  
24      *nal Revenue Code (26 U.S.C. 501(c) (3) and (4)) ;*

1           “(6) allowances under section 432 (a) or under  
2           section 437(d);

3           “(7) any portion of a scholarship or fellowship  
4           received for use in paying the cost of tuition and fees  
5           at any educational (including technical or vocational  
6           education) institution; ~~and~~

7           “(8) home produce of a member of the family  
8           utilized by the household for its own consumption; and

9           “(9) any amounts paid for the foster care of a  
10           child who is not a member of the family.

11         *The Secretary shall prescribe regulations relating to the*  
12         *treatment (for the purposes of this part and part E) of*  
13         *refunds of overpayments of personal income tax under the*  
14         *Internal Revenue Code which regulations are designed to*  
15         *achieve, as nearly as practicable, the results which would*  
16         *have obtained if there had been no such overpayments.*

#### 17                                 “RESOURCES

#### 18                                 “Exclusions From Resources

19         “SEC. 444. (a) In determining the resources of a family  
20         there shall be excluded—

21                 “(1) the home, household goods, and personal ef-  
22                 fects; and

23                 “(2) other property which, as determined in ac-  
24                 cordance with and subject to limitations in regulations



1 of the Secretary, is so essential to the family's means of  
2 self-support as to warrant its exclusion.

3 "Disposition of Resources

4 "(b) The Secretary shall prescribe regulations appli-  
5 cable to the period or periods of time within which, and the  
6 manner in which, various kinds of property must be dis-  
7 posed of in order not to be included in determining a fam-  
8 ily's eligibility for family assistance benefits. Any portion  
9 of the family's benefits paid for any such period shall be  
10 conditioned upon such disposal; and any benefits so paid  
11 shall (at the time of the disposal) be considered over-  
12 payments to the extent they would not have been paid  
13 had the disposal occurred at the beginning of the period for  
14 which such benefits were paid.

15 "MEANING OF FAMILY AND CHILD

16 "Composition of Family

17 "SEC. 445. (a) Two or more individuals—

18 "(1) who are related by blood, marriage, or  
19 adoption,

20 "(2) who are living in a place of residence main-  
21 tained by one or more of them as his or their own home,

22 "(3) who are residents of the United States, and

23 "(4) at least one of whom is a child who (A) is

1 not married to another of such individuals and  
2 (B) is in the care of or dependent upon another  
3 of such individuals,  
4 shall be regarded as a family for purposes of this part and  
5 parts ~~A~~, C, and E. A parent (of a child living in a place  
6 of residence referred to in paragraph (2)), or a spouse of  
7 such a parent, who is determined by the Secretary to be  
8 temporarily absent from such place of residence for the  
9 purpose of engaging in or seeking employment or self-  
10 employment (including military service) shall nevertheless  
11 be considered (for purposes of paragraph (2)) to be living  
12 in such place of residence.

#### 13 "Definition of Child

14 "(b) For purposes of this part and parts C and E, the  
15 term 'child' means an individual who is (1) under the age  
16 of eighteen, or (2) under the age of ~~twenty-one~~ *twenty-two*  
17 and (as determined by the Secretary under regulations) a  
18 student regularly attending a school, college, or university,  
19 or a course of vocational or technical training designed to  
20 prepare him for gainful employment.

#### 21 "Determination of Family Relationships

22 "~~(c)~~ In determining whether an individual is related  
23 to another individual by blood, marriage, or adoption, appro-  
24 priate State law shall be applied.

## 15

1 “Income and Resources of Noncontributing ~~Adult~~ *Individual*

2 “~~(d)~~ (c) For purposes of determining eligibility for and  
3 the amount of family assistance benefits for any family there  
4 shall be excluded the income and resources of any individual,  
5 other than a parent of a child (or a spouse of a parent),  
6 which, as determined in accordance with criteria prescribed  
7 by the Secretary, is not available to other members of the  
8 family; and for such purposes such individual—

9 “(1) in the case of a child, shall be regarded as a  
10 member of the family for purposes of determining the  
11 family’s eligibility for such benefits but not for purposes  
12 of determining the amount of such benefits, and

13 “(2) in any other case, shall not be considered a  
14 member of the family for any purpose.

15 “Recipients of Aid to the Aged, Blind, and  
16 Disabled Ineligible

17 “~~(e)~~ (d) If an individual is receiving aid to the aged,  
18 blind, and disabled under a State plan approved under title  
19 XVI, or if his needs are taken into account in determining  
20 the need of another person receiving such aid, then, for the  
21 period for which such aid is received, such individual shall  
22 not be regarded as a member of a family for purposes of  
23 determining the amount of the family assistance benefits of  
24 the family.

1                   **"PAYMENTS AND PROCEDURES**

2                   **"Payments of Benefits**

3           **"SEC. 446. (a) (1) Family assistance benefits shall be**  
4 **paid at such time or times and in such installments as the**  
5 **Secretary determines will best effectuate the purposes of this**  
6 **title not less frequently than monthly, except that such bene-**  
7 **fits may be paid quarterly in any case in which the Secretary**  
8 **determines that the amount of such benefits for a quarter will**  
9 **not exceed \$30.**

10           **"(2) Payment of the family assistance benefit of any**  
11 **family may be made to any one or more members of the**  
12 **family, or, if the Secretary deems it appropriate, to any**  
13 **person, other than a member of such family, who is in-**  
14 **terested in or concerned with the welfare of the family.**

15           **"(3) The Secretary may by regulation establish ranges**  
16 **of incomes within which a single amount of family assistance**  
17 **benefit shall apply.**

18                   **"Overpayments and Underpayments**

19           **"(b) Whenever the Secretary finds that more or less**  
20 **than the correct amount of family assistance benefits has**  
21 **been paid with respect to any family, proper adjustment or**  
22 **recovery shall, subject to the succeeding provisions of this**  
23 **subsection, be made by appropriate adjustments in future**  
24 **payments to the family or by recovery from or payment to**  
25 **any one or more of the individuals who are or were members**

1 thereof. The Secretary shall make such provision as he finds  
2 appropriate in the case of payment of more than the current  
3 amount of benefits with respect to a family with a view to  
4 avoiding penalizing members of the family who were without  
5 fault in connection with the overpayment, if unless such  
6 adjustment or recovery on account of such overpayment in  
7 such case (in the case of an overpayment) would defeat the  
8 purposes of this part, or be against equity or good conscience,  
9 or (because of the small amount involved) impede efficient  
10 or effective administration of this part.

#### 11 "Hearings and Review

12 "(c) (1) The Secretary shall provide reasonable notice  
13 and opportunity for a hearing to any individual who is or  
14 claims to be a member of a family and is in disagreement  
15 with any determination under this part with respect to  
16 eligibility of the family for family assistance benefits, the  
17 number of members of the family, or the amount of the  
18 benefits, if such individual requests a hearing on the matter  
19 in disagreement within thirty days after notice of such deter-  
20 mination is received. Until a determination is made on the  
21 basis of such hearing or upon disposition of the matter  
22 through default, withdrawal of the request by the individual  
23 or revision of the initial determination by the Secretary, any  
24 amounts which are payable (or would be payable for for the

1 matter in disagreement) to any individual who has been  
2 determined to be a member of such family shall continue to  
3 be paid; but any amounts so paid for periods prior to such  
4 determination or disposition shall be considered overpay-  
5 ments to the extent they would not have been paid had such  
6 determination or disposition occurred at the same time as  
7 the Secretary's initial determination on the matter in  
8 disagreement.

9       “(2) Determination on the basis of such hearing shall be  
10 made within ninety days after the individual requests the  
11 hearing as provided in paragraph (1).

12       “(3) The final determination of the Secretary after a  
13 hearing under paragraph (1) shall be subject to judicial  
14 review as provided in section 205(g) to the same extent  
15 as the Secretary's final determinations under section 205;  
16 except that the determination of the Secretary after such  
17 hearing as to any fact shall be final and conclusive and not  
18 subject to review by any court.

19               **“Procedures; Prohibition of Assignments**

20       “(d) The provisions of sections 206(a) (*other than*  
21 *the penultimate sentence thereof*) and 207 and subsections  
22 (a), (d), (e), and (f) of section 205 shall apply with  
23 respect to this part to the same extent as they apply in  
24 the case of title II.

1    **“Applications and Furnishing of Information by Families**

2        “(c) (1) The Secretary shall prescribe regulations ap-  
3 plicable to families or members thereof with respect to the  
4 filing of applications, the furnishing of other data and mate-  
5 rial, and the reporting of events and changes in circumstances,  
6 as may be necessary to determine eligibility for and amount  
7 of family assistance benefits.

8        “(2) In order to encourage prompt reporting of events  
9 and changes in circumstances relevant to eligibility for or  
10 amount of family assistance benefits, and more accurate  
11 estimates of expected income or expenses by members of  
12 families for purposes of such eligibility and amount of bene-  
13 fits, the Secretary ~~may~~ shall prescribe the cases in which and  
14 the extent to which—

15            “(A) failure to so report or delay in so reporting, or

16            “(B) inaccuracy of information which is furnished  
17 by the members and on which the estimates of income or  
18 expenses for such purposes are based,

19 will result in treatment as overpayments of all or any  
20 portion of payments of such benefits for the period involved.

21        **“Furnishing of Information by Other Agencies**

22        “(f) The head of any Federal agency shall provide  
23 such information as the Secretary needs for purposes of

1 determining eligibility for or amount of family assistance  
2 benefits, or verifying other information with respect thereto.

3 "REGISTRATION AND REFERRAL OF FAMILY MEMBERS FOR  
4 MANPOWER OR REHABILITATION SERVICES, TRAINING,  
5 AND EMPLOYMENT

6 "SEC. 447. (a) Every individual who is a member of  
7 a family which is found to be eligible for family assistance  
8 benefits, other than a member to whom the Secretary finds  
9 paragraph (1), (2), (3), (4), or (5) of subsection (b)  
10 applies, shall register for manpower services, training,  
11 and employment with the local public employment office  
12 of the State as provided by regulations of the Secretary of  
13 Labor. If and for so long as any such individual is found by  
14 the Secretary of Health, Education, and Welfare to have  
15 failed to so register, he shall not be regarded as a  
16 member of a family but his income which would otherwise  
17 be counted under this part as income of a family shall be so  
18 counted; except that if such individual is the only member  
19 of the family other than a child, such individual shall be  
20 regarded as a member for purposes of determination of the  
21 family's eligibility for family assistance benefits, but not  
22 (except for counting his income) for purposes of determina-  
23 tion of the amount of such benefits *no family assistance bene-*  
24 *fits shall be payable to such family with respect to such mem-*  
25 *ber. In the case of such a finding such member, or, if there*



1 *are two or more such members of a family to whom such a*  
2 *finding is applicable at the same time, the first and second*  
3 *members of such family with respect to whom it is so*  
4 *applicable, shall be treated as, respectively, the first member*  
5 *and first and second members respectively of such family*  
6 *for purposes of section 442(b). No part of the family assist-*  
7 *ance benefits of any such family may be paid to such individ-*  
8 *ual during the period for which the preceding second sentence*  
9 *of this subsection is applicable to him; and the Secretary may,*  
10 *if he deems it appropriate, provide for payment of such bene-*  
11 *fits during such period to any person, other than a member*  
12 *of such family, who is interested in or concerned with the*  
13 *welfare of the family.*

14       “(b) An individual shall not be required to register  
15 pursuant to subsection (a) if the Secretary determines that  
16 such individual is—

17               “(1) unable to engage in work or training by  
18 reason of illness, incapacity, or advanced age;

19               “(2) a mother or other relative of a child under  
20 the age of six who is caring for such child;

21               “(3) the mother or other female caretaker of a  
22 child, if the father or another adult male relative is in  
23 the home and not excluded by paragraph (1), (2),  
24 (4), or (5) of this subsection (unless the second sen-

1       tence of subsection (a), or section 448 (a), is applicable  
2       to him) ;

3       “(4) a child who is under the age of sixteen or  
4       meets the requirements of section 445 (b) (2) ; or

5       “(5) one whose presence in the home on a sub-  
6       stantially continuous basis is required because of the ill-  
7       ness or incapacity of another member of the household.

8       An individual who would, but for the preceding sentence,  
9       be required to register pursuant to subsection (a), may, if  
10      he wishes, register as provided in such subsection.

11      “(c) The Secretary shall make provision for the fur-  
12      nishing of child care services in such cases and for so long  
13      as he deems appropriate in the case of (1) individuals reg-  
14      istered pursuant to subsection (a) who are, pursuant to such  
15      registration, participating in manpower services, training, or  
16      employment, and (2) individuals referred pursuant to sub-  
17      section (d) who are, pursuant to such referral, participat-  
18      ing in vocational rehabilitation.

19      “(d) In the case of any member of a family receiving  
20      family assistance benefits who is not required to register  
21      pursuant to subsection (a) because of such member's in-  
22      capacity, the Secretary shall make provision for referral of  
23      such member to the appropriate State agency administering  
24      or supervising the administration of the State plan for vo-  
25      cational rehabilitation services approved under the Vocational

1 Rehabilitation Act, and ~~(except in such cases involving per-~~  
2 ~~manent incapacity as the Secretary may determine)~~ for a  
3 review ~~not less often than quarterly~~ of such member's inca-  
4 pacity and his need for and utilization of the rehabilitation  
5 services made available to him under such plan *as fre-*  
6 *quently as may be appropriate, as determined by the Secre-*  
7 *tary taking into consideration the nature of the individual's*  
8 *incapacity and the likelihood of a change in his condition.*  
9 If and for so long as such member is found by the Secretary,  
10 *after reasonable notice and opportunity for hearing (which*  
11 *shall be held in the same manner and subject to the same*  
12 *conditions as a hearing under section 446(a) (1) and (2)),*  
13 to have refused without good cause to accept rehabilitation  
14 services available to him under such plan, he shall be  
15 treated as an individual to whom subsection (a) is applicable  
16 by reason of refusal to ~~accept or participate in employment~~  
17 ~~or training~~ *register for manpower services, training, and*  
18 *employment.*

19 "DENIAL OF BENEFITS IN CASE OF REFUSAL OF MANPOWER  
20 *OR REHABILITATION SERVICES, TRAINING, OR EMPLOY-*  
21 *MENT*

22 "SEC. 448. (a) For purposes of determining eligibility  
23 for and amount of family assistance benefits under this part,  
24 an individual who has registered as required under section  
25 447 (a) shall ~~not be regarded as a member of a family, but~~

1 his income which would otherwise be counted as income of  
2 the family under this part shall be so counted, be treated as  
3 an individual to whom section 447(a) applies by reason of  
4 refusal to register for manpower services, training, and  
5 employment, if and for so long as he has been found by the  
6 Secretary of Labor, after reasonable notice and opportunity  
7 for hearing (which shall be held in the same manner and  
8 subject to the same conditions as a hearing under section  
9 446(c) (1) and (2) ), to have refused without good cause  
10 to participate or continue to participate in manpower serv-  
11 ices, training, or employment, or to have refused without  
12 good cause to accept employment in which he is able to en-  
13 gage which is offered through the public employment offices  
14 of the State, or is otherwise offered by an employer if  
15 the offer of such employer is determined by the Secretary  
16 of Labor, after notification by such employer or otherwise,  
17 to be a bona fide offer of employment; ~~except that if such~~  
18 ~~individual is the only member of the family other than a~~  
19 ~~child, such individual shall be regarded as a member of the~~  
20 ~~family for purposes of determination of the family's eligibility~~  
21 ~~for benefits, but not (except for counting his income) for the~~  
22 ~~purposes of determination of the amount of its benefits. No~~  
23 ~~part of the family assistance benefits of any such family may~~  
24 ~~be paid to such individual during the period for which the~~  
25 ~~preceding sentence is applicable to him; and the Secretary~~

1 may, if he deems it appropriate, provided for payment of such  
2 benefits during such period to any person, other than a  
3 member of such family, who is interested in or concerned  
4 with the welfare of the family.

5 “(b) No family shall be denied benefits under this  
6 part, or have its benefits under this part reduced, because  
7 an individual who is ~~(or would, but for subsection (a), be)~~  
8 a member of such family refuses work under any of the  
9 following conditions:

10 “(1) if the position offered is vacant due directly  
11 to a strike, lockout, or other labor dispute;

12 “(2) if the wages, hours, or other terms or con-  
13 ditions of the work offered are contrary to or less than  
14 those prescribed by Federal, State, or local law or are  
15 substantially less favorable to the individual than those  
16 prevailing for similar work in the locality;

17 “(3) if, as a condition of being employed, the in-  
18 dividual would be required to join a company union  
19 or to resign from or refrain from joining any bona fide  
20 labor organization; or

21 “(4) if the individual has the demonstrated capac-  
22 ity, through other available training or employment  
23 opportunities, of securing work that would better enable  
24 him to achieve self-sufficiency if the individual has the  
25 ability, based on skills or prior experience, to acquire

1     *other employment that would contribute more to his self-*  
 2     *sufficiency, but only if the Secretary of Labor is satisfied*  
 3     *that such employment is actually available in the com-*  
 4     *munity, and the individual has not been given adequate*  
 5     *opportunity to obtain it.*

6           **“TRANSFER OF FUNDS FOR ON-THE-JOB**

7                           **TRAINING PROGRAMS**

8           **“SEC. 449. The Secretary shall, pursuant to and to the**  
 9     **extent provided by agreement with the Secretary of Labor,**  
 10    **pay to the Secretary of Labor amounts which ~~he~~ the *Secre-***  
 11    ***tary of Health, Education, and Welfare* estimates would**  
 12    **be paid as family assistance benefits under this part to**  
 13    **individuals participating in public or private employer com-**  
 14    **pensated on-the-job training under a program of the *Secre-***  
 15    **tary of Labor if they were not participating in such training.**  
 16    **Such amounts shall be available to pay the costs of such**  
 17    **programs.**

18           **“PART E—STATE SUPPLEMENTATION OF FAMILY**

19                           **ASSISTANCE BENEFITS**

20    **“PAYMENTS UNDER TITLES ~~IV~~, V, XVI, ~~AND~~ XIX, AND XX**

21                           **CONDITIONED ON SUPPLEMENTATION**

22    **“SEC. 451. In order for a State to be eligible for pay-**  
 23    **ments pursuant to title V, XVI, ~~or~~ XIX, or ~~part A or B~~**  
 24    **~~of this title~~, XX, with respect to expenditures for any quarter**  
 25    **beginning on or after the date this part becomes effective**  
 26    **with respect to such State, it must have in effect an agree-**

1 ment with the Secretary under which it will make supple-  
2 mentary payments, as provided in this part, to any family  
3 *residing in the State* other than a family in which both  
4 parents of the child or children are present, *and* neither  
5 parent is incapacitated, ~~and the male parent is not unem-~~  
6 ~~ployed.~~

7 "ELIGIBILITY FOR AND AMOUNT OF SUPPLEMENTARY  
8 PAYMENTS

9 "Sec. 452. (a) Eligibility for and amount of supple-  
10 mentary payments under the agreement with any State under  
11 this part shall, subject to the succeeding provisions of this  
12 section, be determined by application of the provisions of,  
13 and rules and regulations under, sections 442(a)(2), (c),  
14 and (d), 443(a), 444, 445, 446 (to the extent the Secre-  
15 tary deems appropriate), 447, and 448, and by application  
16 of the standard for determining need under the plan of such  
17 State as in effect for January 1970 (which standard complies  
18 with the requirements for approval under part A as in effect  
19 for such month) or, if lower, a standard equal to the applicable  
20 poverty level determined pursuant to section 453(e) and in  
21 effect at the time of such payments, or such higher standard  
22 of need as the State may apply, with the resulting amount  
23 reduced by the family assistance benefit payable under part  
24 D and further reduced by any other income (earned or un-  
25 earned) not excluded under section 443(b) (except para-

1 graph ~~(4)~~ thereof) or under subsection ~~(b)~~ of this section;  
2 but in making such determination the State may impose lim-  
3 itations on the amount of aid paid to the extent that such limi-  
4 tations ~~(in combination with other provisions of the plan)~~ are  
5 no more stringent in result than those imposed under the plan  
6 of such State as in effect for such month. In the case of any  
7 State which provides for meeting less than 100 per centum of  
8 its standard of need or provides for considering less than 100  
9 per centum of requirements in determining need, the Secre-  
10 tary shall prescribe by regulation the method or methods for  
11 achieving as nearly as possible the results provided for under  
12 the foregoing provisions of this subsection.

13 “~~(b)~~ For purposes of determining eligibility for and  
14 amount of supplementary payments to a family for any  
15 period pursuant to an agreement under this part, in the case  
16 of earned income to which paragraph ~~(4)~~ of section 443  
17 ~~(b)~~ applies, there shall be disregarded \$720 per year ~~(or~~  
18 ~~proportionately smaller amounts for shorter periods)~~, plus—

19 ~~(1)~~ one-third of the portion of the remainder of  
20 earnings which does not exceed twice the amount of the  
21 family assistance benefits that would be payable to the  
22 family if it had no income, plus

23 ~~(2)~~ one-fifth ~~(or more if the Secretary by regula-~~  
24 ~~tion so prescribes)~~ of the balance of the earnings.



1 For special provisions applicable to Puerto Rico, the Virgin  
2 Islands, and Guam, see section 4408(c).

3 “SEC. 452. (a) The amount payable under the agree-  
4 ment with any State under this part to any family described  
5 in section 451 shall, subject to the succeeding provisions of  
6 this section, be no less than the difference between

7 “(1) the payment level in such State, and

8 “(2) the family assistance benefits payable under  
9 part D plus any other income (earned or unearned) not  
10 excluded under section 443(b) (except paragraph (4)  
11 thereof) or under subsection (b) of this section.

12 The payment level for each State shall be determined by the  
13 Secretary after considering the payment which would have  
14 been made to a family group of such size with no income  
15 (adjusted as may be necessary to reflect differences in shelter  
16 costs between different areas of the State) under the plan of  
17 such State as in effect for January 1970 (which complies with  
18 the requirements for approval under part A as in effect for  
19 such month), but this section shall not be construed to require  
20 a State to make payments with respect to that amount by  
21 which its payment level exceeds the poverty level (as defined  
22 in section 453(c)) applicable to such family.

23 “(b) For purposes of determining eligibility for and the

1 *amount of supplementary payments to a family for any*  
2 *period pursuant to an agreement under this part,*

3       “(1) *the provisions of, and the rules and regulations*  
4 *under, sections 442 (a) (2), (c), and (d), 443(a), 444,*  
5 *445, 446 (to the extent the Secretary deems appro-*  
6 *priate), 447, and 448 shall be applied, and*

7       “(2) *in the case of earned income to which para-*  
8 *graph (4) of section 443(b) applies, there shall be dis-*  
9 *regarded \$720 per year (or proportionately smaller*  
10 *amounts for shorter periods), plus one-third of the re-*  
11 *mainder.*

12 *For special provisions applicable to Puerto Rico, the Virgin*  
13 *Islands, and Guam, see section 1108(c).*

14       “(c) *The agreement with a State under this part shall—*

15               “(1) *provide that it shall be in effect in all political*  
16 *subdivisions of the State;*

17               “(2) *provide for the establishment or designation*  
18 *of a single State agency to carry out or supervise the*  
19 *carrying out of the agreement in the State;*

20               “(3) *provide for granting an opportunity for a fair*  
21 *hearing before the State agency carrying out the agree-*  
22 *ment to any individual whose claim for supplementary*  
23 *payments is denied or is not acted upon with reasonable*  
24 *promptness;*

25               “(4) *provide (A) such methods of administration*

1 (including methods relating to the establishment and  
2 maintenance of personnel standards on a merit basis, ex-  
3 cept that the Secretary shall exercise no authority with  
4 respect to the selection, tenure of office, and compensa-  
5 tion of any individual employed in accordance with  
6 such methods) as are found by the Secretary to be  
7 necessary for the proper and efficient operation of the  
8 agreement in the State, and (B) for the training and  
9 effective use of paid subprofessional staff, with par-  
10 ticular emphasis on the full- or part-time employment of  
11 recipients of supplementary payments and other persons  
12 of low income, as community services aides, in carrying  
13 out the agreement and for the use of nonpaid or partially  
14 paid volunteers in a social service volunteer program  
15 in providing services to applicants for and recipients of  
16 supplementary payments and in assisting any advisory  
17 committees established by the State agency;

18 “(5) provide that the State agency carrying out  
19 the agreement will make such reports, in such form and  
20 containing such information, as the Secretary may from  
21 time to time require, and comply with such provisions  
22 as the Secretary may from time to time find necessary  
23 to assure the correctness and verification of such reports;

24 “(6) provide safeguards which restrict the use or  
25 disclosure of information concerning applicants for and

1 recipients of supplementary payments to purposes di-  
2 rectly connected with the administration of this title;  
3 and

4 “(7) provide that all individuals wishing to make  
5 application for supplementary payments shall have op-  
6 portunity to do so, and that supplementary payments  
7 shall be furnished with reasonable promptness to all  
8 eligible individuals;:

9 “(8) provide that no lien will be imposed against  
10 the property of any member of a family or his estate  
11 on account of payments made under the agreement (ex-  
12 cept pursuant to the judgment of a court on account of  
13 payments incorrectly made to such family), and that  
14 there will be no adjustment or any recovery of payments  
15 correctly made under the agreement; and

16 “(9) provide—

17 “(A) (i) for the development and implementa-  
18 tion of a program under which the State will under-  
19 take—

20 “(I) in the case of a child born out of  
21 wedlock who is receiving assistance to needy fam-  
22 ilies with children, or payments under the agree-  
23 ment, to establish the paternity of such child and  
24 secure support for him,

25 “(II) in the case of any child receiving

1           *such assistance or payments who has been*  
2           *deserted or abandoned by his parent, to secure*  
3           *support for such child from such parent (or*  
4           *from any other person legally liable for such*  
5           *support), utilizing reciprocal arrangements*  
6           *adopted with other States to obtain or enforce*  
7           *court orders for support, and*

8           *“(III) in the case of any parent (of a*  
9           *child referred to in clause (II)) receiving such*  
10          *assistance or payments who has been deserted*  
11          *or abandoned by his or her spouse, to secure*  
12          *support for such parent from such spouse (or*  
13          *from any other person legally liable for such*  
14          *support), utilizing any reciprocal arrangements*  
15          *adopted with other States to obtain or enforce*  
16          *court orders for support, and*

17          *“(ii) for the establishment of a single organiza-*  
18          *tional unit in the State agency or local agency ad-*  
19          *ministering the program referred to in clause (i);*

20          *“(B) for entering into cooperative arrange-*  
21          *ments with appropriate courts and law enforcement*  
22          *officials (i) to assist in administering the program*  
23          *referred to in clause (A)(i), including the entering*  
24          *into of financial arrangements with such courts and*



1           “(ii) the last known address of such parent  
2           and any information it has with respect to the  
3           date on which such parent could last be located  
4           at such address, and

5           (iii) such other information as the Secre-  
6           tary may specify to assist in carrying out the  
7           provisions of section 456;

8           “(D) that the State will, in accordance with  
9           standards prescribed by the Secretary, cooperate  
10          with any other State carrying out an agreement  
11          under this part—

12           “(i) in locating a parent residing in such  
13           State (whether or not permanently) against  
14           whom a petition has been filed in a court of com-  
15           petent jurisdiction of such other State for the  
16           support and maintenance of his child receiving  
17           assistance to needy families with children or  
18           payments under the agreement of such other  
19           State, and

20           “(ii) in securing compliance or good faith  
21           partial compliance by a parent residing in  
22           such State (whether or not permanently) with  
23           an order issued by a court of competent jurisdic-  
24           tion against such parent for the support and  
25           maintenance of such child, and

1           “(10) provide for arrangements to assure that there  
2           will be made a non-Federal contribution to the cost of  
3           manpower services, training, and employment and op-  
4           portunities provided for individuals registered pursuant  
5           to section 447, in cash or kind, equal to 10 per centum  
6           of such cost.

7                               “PAYMENTS TO STATES

8           “SEC. 453. (a) (1) The Secretary shall pay to any  
9           State which has in effect an agreement under this part, for  
10          each fiscal year, an amount equal to 30 per centum of the  
11          total amount expended during such year pursuant to its  
12          agreement as supplementary payments to families ~~other than~~  
13          families in which both parents of the child or children are  
14          present, neither parent is incapacitated, and the male parent  
15          is not employed, not counting so much of the supple-  
16          mentary payment made to any family as exceeds the amount  
17          by which (with respect to the period involved) —

18               “(A) the family assistance benefit payable to such  
19          family under part D, plus any income of such family  
20          (earned or unearned) not disregarded in determining  
21          the amount of such supplementary payment, is less than

22               “(B) the applicable poverty level as promulgated  
23          and in effect under subsection (c).

24           “(2) The Secretary shall also pay to each such State  
25          an amount equal to 50 per centum of its administrative costs



1 found necessary by the Secretary for carrying out its agree-  
2 ment.

3 “(b) Payments under subsection (a) shall be made at  
4 such time or times, in advance or by way of reimbursement,  
5 and in such installments as the Secretary may determine;  
6 and shall be made on such conditions as may be necessary  
7 to assure the carrying out of the purposes of this title.

8 “(c) (1) For purposes of this part, the ‘poverty level’  
9 for a family group of any given size shall be the amount  
10 shown for a family group of such size in the following table,  
11 adjusted as provided in paragraph (2) :

“FAMILY SIZE :	BASIS AMOUNT
One.....	\$1, 920
Two.....	<del>2, 466</del> 2, 520
Three.....	<del>2, 944</del> 3, 120
Four.....	<del>3, 726</del> 3, 720
Five.....	<del>4, 440</del> 4, 270
Six.....	<del>4, 986</del> 4, 320
Seven or more.....	5, 320
Eight.....	5, 820
Nine.....	6, 270
Ten.....	3, 720
Eleven or more.....	7, 170

12 “(2) Between July 1 and September 30 of each year,  
13 beginning with 1970, the Secretary (A) shall adjust the  
14 amount shown for each size of family group in the table in  
15 paragraph (1) by increasing such amount by the percent-  
16 age by which the average level of the price index for the  
17 months in the calendar quarter beginning April 1 of such  
18 year exceeds the average level of the price index for months  
19 in 1969, and (B) shall thereupon promulgate the amounts

1 so adjusted as the poverty levels for family groups of various  
 2 sizes which shall be conclusive for purposes of this part for  
 3 the fiscal year beginning July 1 next succeeding such  
 4 promulgation.

5 “(3) As used in this subsection, the term ‘price index’  
 6 means the Consumer Price Index (all items—United States  
 7 city average) published monthly by the Bureau of Labor  
 8 Statistics.

9 “FAILURE BY STATE TO COMPLY WITH AGREEMENT

10 “SEC. 454. If the Secretary, after reasonable notice and  
 11 opportunity for hearing to a State with which he has an  
 12 agreement under this part, finds that such State is failing to  
 13 comply therewith *or with any requirement imposed by or*  
 14 *pursuant to this part*, he shall withhold all, or such portion as  
 15 he deems appropriate, of the payments to which such State is  
 16 otherwise entitled under this part ~~or part A or B~~ of this title  
 17 or under title V, XVI, ~~or~~ XIX, *or* XX; but the amounts  
 18 so withheld from payments ~~under such part A or B or~~ under  
 19 title V, XVI, ~~or~~ XIX, *or* XX shall be deemed to have been  
 20 paid to the State under such ~~part or~~ title. Such withholding  
 21 shall be effected at such time or times and in such install-  
 22 ments as the Secretary may deem appropriate.

23

“DEFINITIONS

24 “SEC. 455. *As used in this part, the term ‘needy families*  
 25 *with children’ means families who are receiving family*

1 *assistance benefits under part D and who (1) are receiving*  
2 *supplementary payments under this part, or (2) would be*  
3 *eligible to receive, under a State plan (approved under part*  
4 *A) as in effect prior to the enactment of part D, aid to*  
5 *families with dependent children as defined in section 406*  
6 *as it was in effect prior to such enactment, if the State plan*  
7 *had continued in effect; and 'assistance to needy families with*  
8 *children' means family assistance benefits under such part D,*  
9 *paid to such families.*

10 **"PART F—ADMINISTRATION**

11 **"AGREEMENTS WITH STATES**

12 **"SEC. 461. (a) The Secretary may enter into an agree-**  
13 **ment with any State under which the Secretary will make,**  
14 **on behalf of the State, the supplementary payments provided**  
15 **for under part E, or will perform such other functions**  
16 **of the State in connection with such payments as may be**  
17 **agreed upon, or both. In any such case, the agreement shall**  
18 **also (1) provide for payment by the State to the Secretary**  
19 **of an amount equal to the supplementary payments the State**  
20 **would otherwise make pursuant to part E, less any payments**  
21 **which would be made to the State under section 453(c),**  
22 **and (2) at the request of the State, provide for joint audit of**  
23 **payments under the agreement made by the Secretary under**  
24 **such agreement, less any payments which would otherwise be**  
25 **made to the State under section 453(a), (2) at the request**

1 of the State, provide for joint audit of payments under the  
2 agreement, and (3) in the case of an agreement which will  
3 become effective at a future date, but not later than two years  
4 after the date as of which part D becomes effective for such  
5 State, provide for payments of the State's administrative  
6 costs found necessary by the Secretary for making supple-  
7 mentary payments pursuant to part E during the period  
8 after the execution of the agreement under this section and  
9 before its effective date, except that if the State takes any  
10 action which prevents such agreement from becoming effective  
11 at the end of such two years, the Secretary shall recover (by  
12 adjustment of any other amounts due the State under this  
13 Act, or otherwise) an amount equal to one-half the adminis-  
14 trative costs paid pursuant to this clause.

15       “(b) The Secretary may enter into an agreement with  
16 a State under which the Secretary will determine eligibility  
17 for medical assistance under such State's plan approved  
18 under title XIX or for surplus food commodities under such  
19 State's program conducted pursuant to section 416 of the Act  
20 of October 31, 1949 (7 U.S.C. 1431) or administer all or  
21 part of such State's food stamp program conducted pursuant  
22 to the Food Stamp Act of 1964 (7 U.S.C. 2011, et seq.),  
23 with respect to (1) individuals eligible under such State's  
24 plan approved under title XVI for aid to the aged, blind,  
25 and disabled (and individuals who would be eligible for such

1 aid but for the income and resources requirements of title  
2 XVI), but only if the State has entered into an agreement  
3 with the Secretary pursuant to section 1605, and (2) all in-  
4 dividuals other than those described in clause (1), but only  
5 if, in the case of any State required to make supplementary  
6 payments pursuant to section 452, the Secretary is carrying  
7 out an agreement with such State pursuant to subsection (a)  
8 of this section. In any such case, the agreement shall also pro-  
9 vide for payment by the State to the Secretary of any amount  
10 equal to one-half of the cost of determining eligibility for medi-  
11 cal assistance plus the cost of determining eligibility for sur-  
12 plus food commodities and of administering the food stamp  
13 program, but in computing such costs the Secretary shall in-  
14 clude only those costs which are additional to the costs incurred  
15 in carrying out part D, or in carrying out an agreement  
16 under subsection (a), or section 1605.

17       “(c) In the case of any State which has an agreement  
18 with the Secretary under subsection (a) (if the State is re-  
19 quired to make supplementary payments pursuant to section  
20 452), under subsection (b) with respect to medical assist-  
21 ance, and under section 1605, the Secretary may further  
22 agree to administer all or any part of any other program  
23 under which cash benefits are provided on the basis of need,  
24 but only to the extent that he determines, with respect to any  
25 such program or part thereof which the State seeks to include

1 *in the agreement, that administration by him is feasible and*  
2 *will not result in undue administrative burden. In any such*  
3 *case the agreement shall provide for payment by the State*  
4 *to the Secretary of an amount equal to the cash benefits paid*  
5 *by the Secretary, plus the costs of administering any such*  
6 *program or part thereof included in the agreement, but in*  
7 *computing such administrative costs the limitations appli-*  
8 *cable to computation of administrative costs under subsection*  
9 *(b) shall apply.*

10       “(d) *In the case of an agreement, plan, or program, or*  
11 *any portion thereof, which the Secretary administers on be-*  
12 *half of a State under an agreement pursuant to subsection*  
13 *(a) or (b) of this section or pursuant to section 1605, the*  
14 *Secretary may waive any procedural requirements or meth-*  
15 *ods of administration imposed upon such agreement, plan,*  
16 *or program (or portion thereof) by or pursuant to this or*  
17 *any other Federal statute, and substitute the requirements*  
18 *or methods applicable to the administration of part D which*  
19 *serve the same purpose or relate to the same or comparable*  
20 *matters as do the requirements or methods which are waived.*

21       “~~(b)~~ (e) *The Secretary may also enter into an agree-*  
22 *ment with any State under which such State will make, on be-*  
23 *half of the Secretary, the family assistance benefit payments*  
24 *provided for under part D with respect to all or specified*  
25 *families in the State who are eligible for such benefits or will*

1 perform such other functions in connection with the adminis-  
2 tration of part D as may be agreed upon, *or both*. The cost  
3 of carrying out any such agreement shall be paid to the State  
4 by the Secretary in advance or by way of reimbursement and  
5 in such installments as may be agreed upon.

6 **“PENALTIES FOR FRAUD**

7 “SEC. 462. The provisions of section 208, other than  
8 paragraph (a), shall apply with respect to benefits under  
9 part D and allowances under part C, of this title, to the same  
10 extent as they apply to payments under title II.

11 **“REPORT, EVALUATION, RESEARCH AND DEMONSTRATIONS,**  
12 **AND TRAINING AND TECHNICAL ASSISTANCE**

13 “SEC. 463. (a) The Secretary shall make an annual re-  
14 port to the President and the Congress on the operation and  
15 administration of parts D and E, including an evaluation  
16 thereof in carrying out the purposes of such parts and recom-  
17 mendations with respect thereto. The Secretary is authorized  
18 to conduct evaluations directly or by grants or contracts of  
19 the programs authorized by such parts.

20 “(b) The Secretary is authorized to conduct, directly or  
21 by grants or contracts, research into or demonstrations of  
22 ways of better providing financial assistance to needy per-  
23 sons or of better carrying out the purposes of part D, and  
24 in so doing to waive any requirements or limitations in such  
25 part with respect to eligibility for or amount of family

1 assistance benefits for such ~~family~~ *families*, members of  
2 families, or groups thereof as he deems appropriate.

3 “(c) The Secretary is authorized to provide such  
4 technical assistance to States, and to provide, directly or  
5 through grants or contracts, for such training of personnel  
6 of States, as he deems appropriate to assist them in more  
7 efficiently and effectively carrying out their agreements  
8 under this part and part E.

9 “(d) In addition to funds otherwise available therefor,  
10 such portion of any appropriation to carry out part D or E  
11 as the Secretary may determine, but not in excess of \$20,-  
12 000,000 in any fiscal year, shall be available to him to carry  
13 out this section.

14 “OBLIGATION OF DESERTING PARENTS

15 “SEC. 464. In any case where an individual has de-  
16 serted or abandoned his spouse or his child or children and  
17 such spouse or any such child (during the period of such  
18 desertion or abandonment) is a member of a family receiv-  
19 ing family assistance benefits under part D or supplementary  
20 payments under part E, such individual shall be obligated  
21 to the United States in an amount equal to—

22 “(1) the total amount of the family assistance bene-  
23 fits paid to such family during such period with respect  
24 to such spouse and child or children, plus the amount paid  
25 by the Secretary under section 453 on account of the



1       supplementary payments made to such family during  
2       such period with respect to such spouse and child or chil-  
3       dren, reduced by  
4       “ (2) any amount actually paid by such individual  
5       to or for the support and maintenance of such spouse  
6       and child or children during such period, if and to the  
7       extent that such amount is excluded in determining the  
8       amount of such family assistance benefits;  
9       except that in any case where an order for the support and  
10      maintenance of such spouse or any such child has been  
11      issued by a court of competent jurisdiction, the obligation of  
12      such individual under this subsection (with respect to such  
13      spouse or child) for any period shall not exceed the amount  
14      specified in such order less any amount actually paid by such  
15      individual (to or for the support and maintenance of such  
16      spouse or child) during such period. The amount due the  
17      United States under such obligation shall be collected (to the  
18      extent that the claim of the United States therefor is not other-  
19      wise satisfied), in such manner as may be specified by the  
20      Secretary, from any amounts otherwise due ~~him~~ *such indi-*  
21      *vidual* or becoming due him at any time from any officer or  
22      agency of the United States or under any Federal program.  
23      Amounts collected under the preceding sentence shall be  
24      deposited in the Treasury as miscellaneous receipts.

## 46

1 "TREATMENT OF FAMILY ASSISTANCE BENEFITS AS INCOME  
2 FOR FOOD STAMP PURPOSES

3 ~~"SEC. 465. Family assistance benefits paid under this  
4 title shall be taken into consideration for the purpose of de-  
5 termining the entitlement of any household to purchase food  
6 stamps, and the cost thereof, under the food stamp program  
7 conducted under the Food Stamp Act of 1964."~~

8 *"SEC. 465. (a) Family assistance benefits paid under  
9 this title and supplementary payments made pursuant to part  
10 E shall be taken into consideration for the purpose of de-  
11 termining the entitlement of any household to purchase food  
12 stamps, and the cost thereof, under the food stamp program  
13 conducted under the Food Stamp Act of 1964.*

14 *"(b) At the request of an individual to whom the Secre-  
15 tary is making payments pursuant to part D or pursuant to  
16 an agreement under section 461 or 1605, the Secretary shall  
17 withhold therefrom an amount necessary to provide to such  
18 individual (and the members of his family or household) all  
19 (or such portion as the individual may request) of the food  
20 stamps to which he is entitled.*

21 *"(c) At the request of an individual to whom the State  
22 is making supplementary payments pursuant to part E, pro-  
23 viding aid to the aged, blind, and disabled under title XVI,  
24 or paying family assistance benefits under an agreement with  
25 the Secretary pursuant to section 461(c), the State shall with-*

1 *hold therefrom an amount necessary to provide to such indi-*  
 2 *vidual (and the members of his family, if any, or household)*  
 3 *all (or such portion as the individual may request) of the*  
 4 *food stamps to which he is entitled."*

5 **MANPOWER SERVICES, TRAINING, EMPLOYMENT, CHILD**  
 6 **CARE, AND SUPPORTIVE SERVICES PROGRAMS**

7 **SEC. 102.** Part C of title IV of the Social Security Act  
 8 (42 U.S.C. 630 et seq.) is amended to read as follows:

9 **"PART C—MANPOWER SERVICES, TRAINING, EMPLOY-**  
 10 **MENT, CHILD CARE, AND SUPPORTIVE SERVICES PRO-**  
 11 **GRAMS FOR RECIPIENTS OF FAMILY ASSISTANCE**  
 12 **BENEFITS OR SUPPLEMENTARY PAYMENTS**

13 **"PURPOSE**

14 **"SEC. 430.** The purpose of this part is to authorize pro-  
 15 vision, for individuals who are members of a family receiving  
 16 *family assistance* benefits under part D or supplementary  
 17 payments pursuant to part E, of manpower services, train-  
 18 ing, employment, child care, *vocational rehabilitation*, and  
 19 related supportive services necessary to train such indi-  
 20 viduals, prepare them for employment, and otherwise assist  
 21 them in securing and retaining regular employment and  
 22 having the opportunity for advancement in employment,  
 23 to the end that needy families with children will be restored  
 24 to self-supporting, independent, and useful roles in their  
 25 communities.

1 "OPERATION OF MANPOWER SERVICES, TRAINING, AND  
2 EMPLOYMENT PROGRAMS

3 "SEC. 431. (a) The Secretary of Labor shall, for each  
4 person registered pursuant to part D, in accordance with  
5 priorities prescribed by him, develop or assure the develop-  
6 ment of an employability plan describing the manpower  
7 services, training, and employment which the Secretary of  
8 Labor determines each person needs in order to enable him  
9 to become self-supporting and secure and retain employment  
10 and opportunities for advancement.

11 "(b) The Secretary of Labor shall, in accordance with  
12 the provisions of this part, establish and assure the provision  
13 of manpower services, training, and employment programs  
14 in each State for persons registered pursuant to part D or  
15 receiving supplementary payments pursuant to part E.

16 "(c) The Secretary of Labor shall, through such pro-  
17 grams, provide or assure the provision of manpower services,  
18 training, and employment and opportunities necessary to  
19 prepare such persons for and place them in regular employ-  
20 ment, including—

21 "(1) any of such services, training, employment,  
22 and opportunities which the Secretary of Labor is author-  
23 ized to provide under any other Act;

24 "(2) counseling, testing, coaching, program orienta-

1       tion, institutional and on-the-job training, work experi-  
2       ence, upgrading, job development, job placement, and  
3       follow up services required to assist in securing and re-  
4       taining employment and opportunities for advancement;

5           “(3) relocation assistance (including grants, loans,  
6       and the furnishing of such services as will aid an involun-  
7       tarily unemployed individual who desires to relocate to do  
8       so in an area where there is assurance of regular suitable  
9       employment, offered through the public employment of-  
10      fices of the State in such area, which will lead to the  
11      earning of income sufficient to make such individual and  
12      his family ineligible for benefits under part D and supple-  
13      mentary payments under part E); and

14           “(4) special work projects;

15           “(d) (1) For purposes of subsection (c) (4), a ‘special  
16      work project’ is a project (meeting the requirements of this  
17      subsection) which consists of the performance of work in the  
18      public interest through grants to or contracts with public or  
19      nonprofit private agencies or organizations.

20           “(2) No wage rates provided under any special work  
21      project shall be lower than the applicable minimum wage for  
22      the particular work concerned.

23           “(3) Before entering into any special work project

1 under a program established as provided in subsection (b),  
2 the Secretary of Labor shall have reasonable assurances  
3 that—

4 “(A) appropriate standards for the health, safety,  
5 and other conditions applicable to the performance of  
6 work and training on such project are established and  
7 will be maintained,

8 “(B) such project will not result in the displace-  
9 ment of employed workers,

10 “(C) with respect to such project the conditions of  
11 work, training, education, and employment are reason-  
12 able in the light of such factors as the type of work, geo-  
13 graphical region, and proficiency of the participant,

14 “(D) appropriate workmen’s compensation pro-  
15 tection is provided to all participants, and

16 “(E) such project will improve the employability  
17 of the participants.

18 “(4) With respect to individuals who are participants  
19 in special work projects under programs established as pro-  
20 vided in subsection (b), the Secretary of Labor shall period-  
21 ically (at least once every six months) review the employ-  
22 ment record of each such individual while on the special work  
23 project and on the basis of such record and such other infor-  
24 mation as he may acquire determine whether it would be

1 feasible to place such individual in regular employment or in  
2 on-the-job, institutional, or other training.

3       “(c) *The Secretary of Labor shall provide for the*  
4 *continuing evaluation of the manpower training and em-*  
5 *ployment programs provided under this part, including their*  
6 *effectiveness in achieving stated goals and their impact on*  
7 *other related programs. The Secretary of Labor may conduct*  
8 *research regarding, and demonstrations of, ways to improve*  
9 *the effectiveness of the manpower training and employment*  
10 *programs so provided and may also conduct demonstrations*  
11 *of improved training techniques for upgrading the skills of*  
12 *the working poor and provide technical assistance for the*  
13 *programs authorized by this part. The Secretary may, for*  
14 *these purposes, contract for independent evaluations of and*  
15 *research regarding such programs or individual projects*  
16 *under such programs, and establish a data collection, process-*  
17 *ing, and retrieval system.\**

18 “ALLOWANCES FOR INDIVIDUALS UNDERGOING TRAINING

19       “SEC. 432. (a) (1) The Secretary of Labor shall pay to  
20 each individual who is a member of a family and is partici-  
21 pating in manpower training under this part an incentive  
22 allowance of \$30 per month. If one or more members of a

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\*This section appeared as section 430(a) (1) in the bill as passed by the House.

1 family are receiving training for which training allowances  
2 are payable under section 203 of the Manpower Development  
3 and Training Act and meet the other requirements under  
4 such section (except subsection (1) (1) thereof) for the re-  
5 ceipt of allowances which would be in excess of the sum of  
6 the family assistance benefit under part D and supplementary  
7 payments pursuant to part E payable with respect to such  
8 month to the family, the total of the incentive allowances per  
9 month under this section for such members shall be equal to  
10 the greater of (1) the amount of such excess or, if lower,  
11 the amount of the excess of the training allowances which  
12 would be payable under such section 203 as in effect on  
13 March 1, 1970, over the sum of such family assistance bene-  
14 fit and such supplementary payments, and (2) \$30 for each  
15 such member.

16 “(2) The Secretary of Labor shall, in accordance with  
17 regulations, also pay, to any member of a family participat-  
18 ing in manpower training under this part, allowances for  
19 transportation and other costs to him which are necessary to  
20 and directly related to his participation in training.

21 ~~“(3) The Secretary of Labor shall by regulation provide~~  
22 ~~for such smaller allowances under this subsection as he deems~~  
23 ~~appropriate for individuals in Puerto Rico, the Virgin Is-~~  
24 ~~lands, and Guam.~~

25 “(b) Allowances under this section shall be in lieu of



1 allowances provided for participants in manpower training  
2 programs under any other Act.

3 “(c) Subsection (a) shall not apply to any member  
4 of a family who is participating in a program of the Sec-  
5 retary of Labor providing public or private employer com-  
6 pensated on-the-job training.

7 “UTILIZATION OF OTHER PROGRAMS

8 “SEC. 433. In providing the manpower training and  
9 employment services and opportunities required by this part  
10 the Secretary of Labor, to the maximum extent feasible, shall  
11 assure that such services and opportunities are provided in  
12 such manner, through such means, and using all authority  
13 available to him under any other Act (and subject to all  
14 duties and responsibilities thereunder) as will further the  
15 establishment of an integrated and comprehensive manpower  
16 training program involving all sectors of the economy and all  
17 levels of government and as will make maximum use of exist-  
18 ing manpower and manpower related programs and agencies.  
19 To such end the Secretary of Labor may use the funds appro-  
20 priated to him under this part to provide the programs  
21 required by this part through such other Act. to the same  
22 extent and under the same conditions as if appropriated under  
23 such other Act and in making use of the programs of other  
24 Federal, State, or local agencies, public or private, the Sec-  
25 retary of Labor may reimburse such agencies for services

1 rendered to persons under this part to the extent such services  
2 and opportunities are not otherwise available on a nonreim-  
3 bursable basis.

4 "RULES AND REGULATIONS

5 "SEC. 434. The Secretary of Labor may issue such rules  
6 and regulations as he finds necessary to carry out his respon-  
7 sibilities under this part.

8 "APPROPRIATIONS; NON-FEDERAL SHARE

9 "SEC. 435. (a) There is authorized to be appropriated to  
10 the Secretary of Labor for each fiscal year a sum sufficient  
11 for carrying out the purposes of this part (other than sections  
12 436 and 437), including payment of not to exceed 90 per  
13 centum of the cost of manpower services, training, and  
14 employment and opportunities provided for individuals reg-  
15 istered pursuant to section 447. The Secretary of Labor shall  
16 establish criteria to achieve an equitable apportionment  
17 among the States of Federal expenditures for carrying out  
18 the programs authorized by section 431. In developing these  
19 criteria the Secretary of Labor shall consider the number of  
20 registrations under section 447 and other relevant factors.

21 " (b) If a non-Federal contribution of 10 per centum of  
22 the cost specified in subsection (a) is not made in any State  
23 (as required by section ~~402(a)(13)~~ 452(c)(10)), the Sec-  
24 retary of Health, Education, and Welfare may withhold any  
25 action under section ~~404~~ 454 on account thereof and if he

## 55

1 does so he shall instead, after reasonable notice and oppor-  
2 tunity for hearing to the appropriate State agency or agen-  
3 cies, withhold any payments to be made to the State under  
4 sections ~~402(a)~~; 453, 1604, ~~and~~ 1903 (a), *and* 2012 until  
5 the amount so withheld (including any amounts contributed  
6 by the State pursuant to the requirement in section ~~402(a)~~  
7 ~~(13)~~ 452(c)(10)) equals 10 per centum of such costs.  
8 Such withholding shall remain in effect until such time as  
9 the Secretary of Labor has assurances from the State that  
10 such 10 per centum will be contributed as required by sec-  
11 tion ~~402(a)(13)~~ 452(c)(10). Amounts so withheld shall  
12 be deemed to have been paid to the State under such sections  
13 and shall be paid by the Secretary of Health, Education, and  
14 Welfare to the Secretary of Labor.

15 *“(c) There are authorized to be appropriated such*  
16 *sums, not exceeding \$15,000,000 for any fiscal year, as*  
17 *may be necessary to carry out section 431(e).\**

18

**“CHILD CARE**

19 **“SEC. 436. (a) (1) For the purpose of assuring that**  
20 **individuals receiving benefits under part D or supplementary**  
21 **payments pursuant to part E will not be prevented from**  
22 **participating in training or employment by the unavail-**  
23 **ability of appropriate child care, there are authorized to**

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\* This section appeared as Sec. 430(a)(2) in the bill as passed by the House.

1 be appropriated for each fiscal year such sums as may be  
2 necessary to enable the Secretary of Health, Education,  
3 and Welfare to make grants to any public or nonprofit private  
4 agency or organization, and contracts with any public or  
5 private agency or organization, for part or all of the cost of  
6 projects for the provision of child care, including necessary  
7 transportation ~~and alteration, remodeling, and renovation~~  
8 ~~of facilities, and including, in the case of grants to and con-~~  
9 ~~tracts with any public or nonprofit private agency or or-~~  
10 ~~ganization, construction of facilities,~~ which may be necessary  
11 or appropriate in order to better enable an individual who  
12 has been registered pursuant to ~~part D~~ or is receiving ~~supple-~~  
13 ~~mentary payments pursuant to part E~~ *section 447(a)* to  
14 undertake or continue manpower training or employment  
15 under this part, or to enable an individual who has been  
16 referred pursuant to *section 447(d)* to participate in voca-  
17 tional rehabilitation, or to enable a member of a family which  
18 is, or ~~has been~~ (within such period of time as the Secretary  
19 may prescribe) *has been or is likely to become* eligible for  
20 benefits under such ~~part D~~ or payments pursuant to such ~~part~~  
21 ~~E~~ to undertake or continue manpower training or employ-  
22 ment under this part; or, with respect to the period prior to  
23 the date when ~~part D~~ becomes effective for a State, to better  
24 enable an individual who is receiving aid to families with  
25 dependent children, or whose needs are taken into account in

1 determining the need of any one claiming or receiving such  
2 aid, to participate in manpower training or employment.

3       “(2) Such grants or contracts for the provision of  
4 child care in any area may be made directly, or through  
5 grants to *or contracts with* any public or nonprofit private  
6 agency which is designated by the appropriate elected or ap-  
7 pointed official or officials in such area and which demon-  
8 strates a capacity to work effectively with the manpower  
9 agency in such area (including provision for the stationing of  
10 personnel with the manpower team in appropriate cases). To  
11 the extent appropriate, such care for children attending  
12 school which is provided on a group or institutional basis shall  
13 be provided through arrangements with the appropriate local  
14 educational agency.

15       “(3) Such projects shall provide for various types of  
16 child care needed in the light of the different circumstances  
17 and needs of the children involved.

18       “(4)(A) *For purposes of this section, the term “con-*  
19 *struction” means acquisition, alteration, remodeling, or ren-*  
20 *ovation of facilities, and includes, where the Secretary finds*  
21 *it is not feasible to use or to adapt existing facilities for use for*  
22 *the provision of child care, construction (including acquisi-*  
23 *tion of land) of facilities for such care.*

24       “(B) *If within twenty years of the completion of any*

1 *construction for which Federal funds have been paid under*  
2 *this section—*

3           “(i) *the owner of the facility shall cease to be a pub-*  
4           *lic or nonprofit private agency or organization, or*

5           “(ii) *the facility shall cease to be used for the pur-*  
6           *poses for which it was constructed, unless the Secretary*  
7           *determines in accordance with regulations that there is*  
8           *good cause for releasing the owner of the facility from the*  
9           *obligation to do so,*

10 *the United States shall be entitled to recover from the owner*  
11 *of the facility an amount which bears to the then value of the*  
12 *facility (or so much thereof as constituted an approved proj-*  
13 *ect or projects) the same ratio as the amount of such Federal*  
14 *funds bore to the cost of construction of the facility financed*  
15 *with the aid of such funds. Such value shall be determined by*  
16 *agreement of the parties or by action brought in the United*  
17 *States district court for the district in which the facility is*  
18 *situated.*

19           “(C) *All laborers and mechanics employed by contrac-*  
20 *tors or subcontractors on all construction projects assisted*  
21 *under this section shall be paid wages at rates not less than*  
22 *those prevailing on similar construction in the locality as de-*  
23 *termined by the Secretary of Labor in accordance with the*  
24 *Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5).*  
25 *The Secretary of Labor shall have with respect to the labor*

1 standards specified in this section the authority and functions  
2 set forth in Reorganization Plan Numbered 14 of 1950 (15  
3 F.R. 3176) and section 2 of the Act of June 13, 1934, as  
4 amended (40 U.S.C. 276e).

5 “(b) ~~Such sums~~ Sums appropriated pursuant to sub-  
6 section (a) shall also be available to enable the Secretary  
7 of Health, Education, and Welfare to make grants to any  
8 public or nonprofit private agency or organization, and con-  
9 tracts with any public or private agency or organization, for  
10 evaluation, training of personnel, technical assistance, or re-  
11 search or demonstration projects to determine more effective  
12 methods of providing any such care.

13 “(c) The Secretary of Health, Education, and Welfare  
14 may provide, in any case in which a family is able to pay  
15 for part or all of the cost of child care provided under a  
16 project assisted under this section, for payment by the family  
17 of such fees for the care as may be reasonable in the light of  
18 such ability.

19 “SUPPORTIVE SERVICES

20 “SEC. 437. (a) No payments shall be made to any State  
21 under title V, XVI, or XIX, or part A or B of this title, XX  
22 with respect to expenditures for any calendar quarter begin-  
23 ning on or after the date part D becomes effective with re-  
24 spect to such State, unless it has in effect an agreement with  
25 the Secretary of Health, Education, and Welfare under

1 which it (1) will provide health, vocational rehabilitation,  
2 counseling, social, and other supportive services which are the  
3 Secretary under regulations determines to be necessary to  
4 permit an individual who has been registered pursuant to  
5 part D or is receiving supplementary payments pursuant to  
6 part E section 447(a) to undertake or continue manpower  
7 training and employment under this part and (2) will pro-  
8 vide vocational rehabilitation services (as defined in the  
9 Vocational Rehabilitation Act) to individuals referred there-  
10 for pursuant to section 447(d).

11 “(b) Services under such an agreement shall be pro-  
12 vided in close cooperation with manpower training and em-  
13 ployment services provided under this part.

14 “(c) The Secretary of Health, Education, and Welfare  
15 shall from time to time, in such installments and on such con-  
16 ditions as he deems appropriate, pay to any State with which  
17 he has an agreement pursuant to subsection (a) up to 90  
18 per centum of the cost of such State of carrying out such  
19 agreement. There are authorized to be appropriated for each  
20 fiscal year such sums as may be necessary to carry out this  
21 section.

22 “(d) The Secretary of Health, Education, and Welfare  
23 shall pay to each individual who has been referred for voca-  
24 tional rehabilitation services under section 447(d), and is  
receiving such services, an incentive allowance of \$30 per



1 *month and such additional amounts for transportation and*  
2 *other costs as are necessary for and directly related to his*  
3 *receipt of such services.*

4 **“ADVANCE FUNDING**

5 **“SEC. 438. (a)** For the purpose of affording adequate  
6 notice of funding available under this part, appropriations  
7 for grants, contracts, or other payments with respect to indi-  
8 viduals registered *or referred for vocational rehabilitation*  
9 *services* pursuant to section 447 are authorized to be included  
10 in the appropriation Act for the fiscal year preceding the  
11 fiscal year for which they are available for obligation.

12 **“ (b)** In order to effect a transition to the advance fund-  
13 ing method of timing appropriation action, subsection (a)  
14 shall apply notwithstanding that its initial application will  
15 result in enactment in the same year (whether in the same  
16 appropriation Act or otherwise) of two separate appropria-  
17 tions, one for the then current fiscal year and one for the  
18 succeeding fiscal year.

19 **“EVALUATION AND RESEARCH; REPORTS TO CONGRESS**

20 **“SEC. 439. (a)-(1)** The Secretary shall ~~(jointly with~~  
21 ~~the Secretary of Health, Education, and Welfare)~~ provide  
22 for the continuing evaluation of the manpower training and  
23 employment programs provided under this part, including  
24 their effectiveness in achieving stated goals and their impact  
25 on other related programs. The Secretary may conduct re-

1 search regarding, and demonstrations of, ways to improve  
2 the effectiveness of the manpower training and employment  
3 programs so provided and may also conduct demonstrations  
4 of improved training techniques for upgrading the skills of  
5 the working poor. The Secretary may, for these purposes,  
6 contract for independent evaluations of and research regard-  
7 ing such programs or individual projects under such pro-  
8 grams, and establish a data collection, processing, and  
9 retrieval system.\*

10 ~~"(2)~~ There are authorized to be appropriated such  
11 sums, not exceeding \$15,000,000 for any fiscal year, as  
12 may be necessary to carry out paragraph (1).\*\*

13 ~~"(b)~~ On or before September 1 following each fiscal year  
14 in which part D is effective with respect to any State—

15 ~~"(1)~~ the Secretary shall report to the Congress on  
16 the manpower training and employment programs pro-  
17 vided under this part in such fiscal year, and

18 ~~"(2)~~ the Secretary of Health, Education, and Wel-  
19 fare shall report to the Congress on the child care and  
20 supportive services provided under this part in such fiscal  
21 year."

22 *"Sec. 439. On or before September 1 following each fis-*  
23 *cal year in which part D is effective with respect to any State,*  
24 *the Secretary of Health, Education, and Welfare and the*

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\* This appears as subsection (e) of Sec. 431.

\*\* This appears as subsection (c) of Sec. 435.

1 *Secretary of Labor shall jointly report to the Congress on the*  
 2 *manpower training, employment, child care, supportive serv-*  
 3 *ice, and vocational rehabilitation programs provided under*  
 4 *this part in such fiscal year."*

5 ~~CONFORMING AMENDMENTS RELATING TO ASSISTANCE~~

6 ~~FOR NEEDY FAMILIES WITH CHILDREN~~

7 ~~SEC. 103. (a) Section 401 of the Social Security Act~~  
 8 ~~(42 U.S.C. 601) is amended—~~

9 ~~(1) by striking out "financial assistance and" in~~  
 10 ~~the first sentence; and~~

11 ~~(2) by striking out "aid and" in the second sen-~~  
 12 ~~tence.~~

13 ~~(b)(1) Subsection (a) of section 402 of such Act (42~~  
 14 ~~U.S.C. 602) is amended—~~

15 ~~(A) by striking out "aid and" in the matter pre-~~  
 16 ~~ceding clause (1);~~

17 ~~(B) by inserting, before "provide" at the be-~~  
 18 ~~ginning of clause (1), "except to the extent permitted~~  
 19 ~~by the Secretary,";~~

20 ~~(C) by striking out clause (4);~~

21 ~~(D) (i) by striking out "recipients and other~~  
 22 ~~persons" in clause (5)-(B) and inserting in lieu thereof~~  
 23 ~~"persons"; and~~

24 ~~(ii) by striking out "providing services to ap-~~

1       plicants and recipients" in such clause and inserting in  
2       lieu thereof "providing services under the plan";  
3       ~~(I)~~ by striking out clauses ~~(7)~~ and ~~(8)~~;  
4       ~~(F)~~ by striking out "aid to families with dependent  
5       children" in clause ~~(9)~~ and inserting in lieu thereof  
6       "the plan";  
7       ~~(G)~~ by striking out clauses ~~(10)~~, ~~(11)~~, and ~~(12)~~;  
8       ~~(H)~~ (i) by striking out "section 406(d)" in clause  
9       ~~(14)~~ and inserting in lieu thereof "section 405(e)",  
10       (ii) by striking out "for each child and relative  
11       who receives aid to families with dependent children, and  
12       each appropriate individual (living in the same home as  
13       a relative and child receiving such aid whose needs  
14       are taken into account in making the determination  
15       under clause ~~(7)~~)" in such clause and inserting in lieu  
16       thereof "for each member of a family receiving assist-  
17       ance to needy families with children; each appropriate  
18       individual (living in the same home as such family)  
19       whose needs would be taken into account in determining  
20       the need of any such member under the State plan (ap-  
21       proved under this part) as in effect prior to the enact-  
22       ment of part D; and each individual who would have  
23       been eligible to receive aid to families with dependent  
24       children under such plan"; and

1           ~~(iii)~~ by striking out "such child, relative, and in-  
2           dividual" each place it appears in such clause and insert-  
3           ing in lieu thereof "such member or individual";

4           ~~(I)~~ by striking out clause ~~(15)~~ and inserting in  
5           lieu thereof the following: "~~(15)~~ ~~(A)~~ provide for  
6           the development of a program, for appropriate mem-  
7           bers of such families and such other individuals, for pre-  
8           venting or reducing the incidence of births out of wedlock  
9           and otherwise strengthening family life, and for imple-  
10          menting such program by assuring that in all appropriate  
11          cases family planning services are offered to them, but  
12          acceptance of family planning services provided under  
13          the plan shall be voluntary on the part of such members  
14          and individuals and shall not be a prerequisite to eligi-  
15          bility for or the receipt of any other service under the  
16          plan; and ~~(B)~~ to the extent that services provided  
17          under this clause or clause ~~(8)~~ are furnished  
18          by the staff of the State agency or the local agency  
19          administering the State plan in each of the political  
20          subdivisions of the State, for the establishment of a  
21          single organizational unit in such State or local agency,  
22          as the case may be, responsible for the furnishing of such  
23          services;"

1           ~~(J)~~ by striking out "aid" in clause ~~(16)~~ and  
2           inserting in lieu thereof "assistance to needy families  
3           with children";

4           ~~(K)(i)~~ by striking out "aid to families with de-  
5           pendent children" in clause ~~(17)(A)(i)~~ and inserting  
6           in lieu thereof "assistance to needy families with chil-  
7           dren";

8           ~~(ii)~~ by striking out "aid" in clause ~~(17)(A)(ii)~~  
9           and inserting in lieu thereof "assistance";

10          ~~(iii)~~ by striking out "and" at the end of clause  
11          ~~(i)~~; and adding after clause ~~(ii)~~ the following new  
12          clause:

13                 ~~"(iii) in the case of any parent (or a child~~  
14                 referred to in clause ~~(ii)~~) receiving such assistance  
15                 who has been deserted or abandoned by his or her  
16                 spouse, to secure support for such parent from such  
17                 spouse ~~(or from any other person legally liable for~~  
18                 such support); utilizing any reciprocal arrangements  
19                 adopted with other States to obtain or enforce court  
20                 orders for support, and";

21          ~~(L)~~ by striking out "clause ~~(17)(A)~~" in clause  
22          ~~(18)~~ and inserting in lieu thereof "clause ~~(11)(A)~~";

23          ~~(M)~~ by striking out clause ~~(19)~~ and inserting in  
24          lieu thereof the following: "~~(19)~~ provide for arrange-  
25          ments to assure that there will be made a non-Federal

1 contribution to the cost of manpower services, training,  
2 and employment and opportunities provided for indi-  
3 viduals registered pursuant to section 447, in cash or  
4 kind, equal to 10 per centum of such cost;";

5 ~~(N)~~ by striking out "aid to families with dependent  
6 children in the form of foster care in accordance with  
7 section 408" in clause ~~(20)~~ and inserting in lieu thereof  
8 "payments for foster care in accordance with section  
9 406";

10 ~~(O)~~ ~~(i)~~ by striking out "of each parent of a  
11 dependent child or children with respect to whom aid  
12 is being provided under the State plan" in clause ~~(21)~~  
13 ~~(A)~~ and inserting in lieu thereof "of each person who  
14 is the parent of a child or children with respect to  
15 whom assistance to needy families with children or  
16 foster care is being provided or is the spouse of the  
17 parent of such a child or children";

18 ~~(ii)~~ by striking out "such child or children" in  
19 clause ~~(21)~~ ~~(A)~~ ~~(i)~~ and inserting in lieu thereof "such  
20 child or children or such parent";

21 ~~(iii)~~ by striking out "such parent" each place it  
22 appears in clause ~~(21)~~ ~~(B)~~ and inserting in lieu thereof  
23 "such person"; and

24 ~~(iv)~~ by striking out "section 410;" in clause ~~(21)~~  
25 ~~(C)~~ and inserting in lieu thereof "section 408; and";

1           ~~(P)~~ (i) by striking out "a parent" each place it  
2           appears in clause ~~(22)~~ and inserting in lieu thereof "a  
3           person";

4           ~~(ii)~~ by striking out "a child or children of such  
5           parent" each place it appears in such clause and inserting  
6           in lieu thereof "the spouse or a child or children of such  
7           person";

8           ~~(iii)~~ by striking out "against such parent" in such  
9           clause and inserting in lieu thereof "against such per-  
10          son"; and

11          ~~(iv)~~ by striking out "aid is being provided under  
12          the plan of such other State" each place it appears in  
13          such clause and inserting in lieu thereof "assistance to  
14          needy families with children or foster care payments are  
15          being provided in such other State"; and

16          ~~(Q)~~ by striking out "; and ~~(23)~~" and all that fol-  
17          lows and inserting in lieu thereof a period.

18          ~~(2)~~ Clauses ~~(5)~~, ~~(6)~~, ~~(9)~~, ~~(13)~~, ~~(14)~~, ~~(15)~~, ~~(16)~~,  
19          ~~(17)~~, ~~(18)~~, ~~(19)~~, ~~(20)~~, ~~(21)~~, and ~~(22)~~ of section 402  
20          ~~(a)~~ of such Act, as amended by paragraph ~~(1)~~ of this  
21          subsection, are redesignated as clauses ~~(1)~~ through ~~(16)~~,  
22          respectively.

23          ~~(c)~~ Section 402~~(b)~~ of such Act is amended to read as  
24          follows:

25          "~~(b)~~ The Secretary shall approve any plan which ful-



1 fills the conditions specified in subsection (a), except that  
 2 he shall not approve any plan which imposes, as a condition  
 3 of eligibility for services under it, any residence requirement  
 4 which denies services or foster care payments with respect  
 5 to any individual residing in the State."

6 (d) Section 402 of such Act is further amended by  
 7 striking out subsection (c).

8 (e) (1) Subsection (a) of section 403 of such Act (42  
 9 U.S.C. 603) is amended—

10 (A) by striking out "aid and services" and insert-  
 11 ing in lieu thereof "services" in the matter preceding  
 12 paragraph (1);

13 (B) by striking out paragraph (1) and inserting in  
 14 lieu thereof the following:

15 "(1) an amount equal to the sum of the following  
 16 proportions of the total amounts expended during such  
 17 quarter as payments for foster care in accordance with  
 18 section 406—

19 "(A) five-sixths of such expenditures, not  
 20 counting so much of any expenditures with respect  
 21 to any month as exceeds the product of \$18 multi-  
 22 plied by the number of children receiving such  
 23 foster care in such month; plus

24 "(B) the Federal percentage of the amount  
 25 by which such expenditures exceed the maximum

- 1           which may be counted under subparagraph (A),  
2           not counting so much of any expenditures with  
3           respect to any month as exceeds the product of  
4           \$100 multiplied by the number of children receiv-  
5           ing such foster care for such month;”;
- 6           ~~(C)~~ by striking out paragraph (2);
- 7           ~~(D)(i)~~ by striking out “in the case of any State,”  
8           in the matter preceding subparagraph (A) in para-  
9           graph (2);
- 10           ~~(ii)~~ by striking out “or relative who is receiving aid  
11           under the plan; or to any other individual (living in the  
12           same home as such relative and child) whose needs  
13           are taken into account in making the determination  
14           under clause (7) of such section” in clause (i) of sub-  
15           paragraph (A) of such paragraph and inserting in lieu  
16           thereof “receiving foster care or any member of a family  
17           receiving assistance to needy families with children  
18           or to any other individual (living in the same home  
19           as such family) whose needs would be taken into ac-  
20           count in determining the need of any such member  
21           under the State plan approved under this part as in  
22           effect prior to the enactment of part D”;
- 23           ~~(iii)~~ by striking out “child or relative who is apply-  
24           ing for aid to families with dependent children or” in

1 clause ~~(ii)~~ of subparagraph ~~(A)~~ of such paragraph  
2 and inserting in lieu thereof "member of a family";

3 ~~(iv)~~ by striking out "likely to become an applicant  
4 for or recipient of such aid" in clause ~~(ii)~~ of subpara-  
5 graph ~~(A)~~ of such paragraph and inserting in lieu  
6 thereof "likely to become eligible to receive such  
7 assistance"; and

8 ~~(v)~~ by striking out "~~(14)~~ and ~~(15)~~" each place it  
9 appears in subparagraph ~~(A)~~ of such paragraph and  
10 inserting in lieu thereof "~~(8)~~ and ~~(9)~~";

11 ~~(E)~~ by striking out all that follows "permitted"  
12 in the last sentence of such paragraph and inserting in  
13 lieu thereof "by the Secretary; and";

14 ~~(F)~~ by striking out "in the case of any State," in  
15 the matter preceding subparagraph ~~(A)~~ in paragraph  
16 ~~(5)~~;

17 ~~(G)~~ by striking out "section 406(c)" each place  
18 it appears in paragraph ~~(5)~~ and inserting in lieu thereof  
19 "section 405(d)"; and

20 ~~(H)~~ by striking out the sentences following para-  
21 graph ~~(5)~~.

22 ~~(2)~~ Paragraphs ~~(3)~~ and ~~(5)~~ of section 403(a) of  
23 such Act, as amended by paragraph ~~(1)~~ of this subsection;  
24 are redesignated as paragraphs ~~(2)~~ and ~~(3)~~, respectively.

1       (f) Section 403(b) of such Act is amended—

2           (1) by striking out “(B) records showing the  
3       number of dependent children in the State, and (C)”  
4       in paragraph (1) and inserting in lieu thereof “and  
5       (B)”;

6           (2) by striking out “(A)” in paragraph (2), and  
7       by striking out “, and (B)” and all that follows in such  
8       paragraph and inserting in lieu thereof a period.

9       (g) Section 404 of such Act (42 U.S.C. 604) is  
10      amended—

11           (1) by striking out “(a) In the case of any State  
12      plan for aid and services” and inserting in lieu thereof  
13      “*In the case of any State plan for services*”; and

14           (2) by striking out subsection (b).

15      (h) Section 405 of such Act (42 U.S.C. 605) is  
16      repealed.

17      (i) Section 406 of such Act (42 U.S.C. 606) is reded-  
18      ignated as section 405, and as so redesignated is amended—

19           (1) by striking out subsections (a) and (b) and  
20      inserting in lieu thereof the following:

21           “(a) The term ‘child’ means a child as defined in sec-  
22      tion 415(b).

23           “(b) The term ‘needy families with children’ means  
24      families who are receiving family assistance benefits under  
25      part D and who (1) are receiving supplementary payments

1 under part F, or (2) would be eligible to receive aid to fam-  
2 ilies with dependent children, under a State plan (approved  
3 under this part) as in effect prior to the enactment of part D,  
4 if the State plan had continued in effect and if it included  
5 assistance to dependent children of unemployed fathers pur-  
6 suant to section 407 as it was in effect prior to such enac-  
7 ment, and 'assistance to needy families with children' means  
8 family assistance benefits under such part D, paid to such  
9 families.";

10 ~~(2)~~ by striking out subsection ~~(e)~~ and redesignat-  
11 ing subsections ~~(d)~~ and ~~(e)~~ as subsections ~~(e)~~ and  
12 ~~(d)~~, respectively;

13 ~~(3)(A)~~ by striking out "living with any of the  
14 relatives specified in subsection ~~(a)(1)~~ in a place of  
15 residence maintained by one or more of such relatives  
16 as his or their own home" in paragraph ~~(1)~~ of subsec-  
17 tion ~~(d)~~ as so redesignated and inserting in lieu thereof  
18 "a member of a family (as defined in section 445(a))";  
19 and

20 ~~(B)~~ by striking out "because such child or rela-  
21 tive refused" and inserting in lieu thereof "because such  
22 child or another member of such family refused".

23 ~~(j)~~ Section 407 of such Act (42 U.S.C. 607) is  
24 repealed.

25 ~~(k)~~ Section 408 of such Act (42 U.S.C. 608) is re-

1 designated as section 406, and as so redesignated is  
2 amended—

3           ~~(1) by striking out everything (including the head-~~  
4           ~~ing) which precedes paragraph (1) of subsection (b)~~  
5           and inserting in lieu thereof the following:

6                           **"FOSTER CARE**

7           **"SEC. 406. For purposes of this part—**

8           ~~"(a) 'foster care' shall include only foster care which is~~  
9           ~~provided in behalf of a child (1) who would, except for his~~  
10           ~~removal from the home of a family as a result of a judicial~~  
11           ~~determination to the effect that continuation therein would~~  
12           ~~be contrary to his welfare, be a member of such family~~  
13           ~~receiving assistance to needy families with children, (2)~~  
14           ~~whose placement and care are the responsibility of (A) the~~  
15           ~~State or local agency administering the State plan approved~~  
16           ~~under section 402, or (B) any other public agency with~~  
17           ~~whom the State agency administering or supervising the~~  
18           ~~administration of such State plan has made an agreement~~  
19           ~~which is still in effect and which includes provision for~~  
20           ~~assuring development of a plan, satisfactory to such State~~  
21           ~~agency, for such child as provided in paragraph (c)-(1)~~  
22           ~~and such other provisions as may be necessary to assure~~  
23           ~~accomplishment of the objectives of the State plan approved~~  
24           ~~under section 402, (3) who has been placed in a foster~~  
25           ~~family home or child-care institution as a result of such~~

1 determination, and ~~(4)~~ who ~~(A)~~ received assistance to  
2 needy families with children, in or for the month in which  
3 court proceedings leading to such determination were initi-  
4 ated, or ~~(B)~~ would have received such assistance to needy  
5 families with children in or for such month if application  
6 had been made therefor, or ~~(C)~~ in the case of a child who  
7 had been a member of a family (as defined in section 445  
8 ~~(a)~~) within six months prior to the month in which such  
9 proceedings were initiated, would have received such assist-  
10 ance, in or for such month if in such month he had been a  
11 member of ~~(and removed from the home of)~~ such a family  
12 and application had been made therefor;

13       ~~“(b) ‘foster care’ shall, however, include the care de-~~  
14 ~~scribed in paragraph (a) only if it is provided—”;~~

15       ~~(2) (A) by striking out “‘aid to families with de-~~  
16 ~~pendent children’” in subsection (b) (2) and inserting~~  
17 ~~in lieu thereof “foster care”;~~

18       ~~(B) by striking out “such foster care” in such sub-~~  
19 ~~section and inserting in lieu thereof “foster care”;~~ and

20       ~~(C) by striking out the period at the end of such~~  
21 ~~subsection and inserting in lieu thereof “; and”;~~

22       ~~(3) by striking out subsection (e) and redesignat-~~  
23 ~~ing subsections (d), (e), and (f) as subsections (e),~~  
24 ~~(d), and (e), respectively;~~

25       ~~(4) by striking out “paragraph (f) (2)” and “see-~~

1       tion ~~403(a)(3)~~” in subsection (c) (as so redesignated)  
2       and inserting in lieu thereof “paragraph (c)(2)” and  
3       “section 403(a)(2)” respectively;

4       (5) by striking out “aid” in subsection (d) (as  
5       so redesignated) and inserting in lieu thereof “services”;

6       (6) by striking out “relative specified in section  
7       406(a)” in subsection (c)(1) (as so redesignated) and  
8       inserting in lieu thereof “family (as defined in section  
9       445(a))”; and

10       (7) by striking out “622” and “part 3 of title V”  
11       in subsection (c)(2) (as so redesignated) and inserting  
12       in lieu thereof “422” and “part B of this title”, re-  
13       spectively.

14       (1)(1) Section 400 of such Act (42 U.S.C. 600) is  
15       repealed.

16       (m) Section 410 of such Act (42 U.S.C. 610) is re-  
17       designated as section 407; and subsection (a) of such section  
18       (as so redesignated) is amended by striking out “section 402  
19       (a)(21)” and inserting in lieu thereof “section 402(a)  
20       (15)”.

21       (n)(1) Section ~~422(a)(1)(A)~~ of such Act is amended  
22       by striking out “section 402(a)(15)” and inserting in lieu  
23       thereof “section 402(a)(9)”.



1       ~~(2)~~ Section 422~~(a)~~ ~~(1)~~ ~~(B)~~ of such Act is amended by  
2 striking out "provided for dependent children" and inserting  
3 in lieu thereof "provided with respect to needy families with  
4 children".

5       ~~(c)~~ References in any law, regulation, State plan, or  
6 other document to any provision of part A of title IV of the  
7 Social Security Act which is redesignated by this section  
8 shall ~~(from and after the effective date of the amendments~~  
9 ~~made by this Act)~~ be considered to be references to such  
10 provision as so redesignated.

11                               REPEAL OF PARTS A AND B OF TITLE IV

12       *SEC. 103. (a) Part A of title IV of the Social Security*  
13 *Act is amended by redesignating section 410 as section 456.*

14       *(b) Such Act is further amended by redesignating sec-*  
15 *tion 426 as section 1117.*

16       *(c) Such Act is further amended by repealing parts A*  
17 *and B of title IV (other than the sections redesignated by*  
18 *this section).*

19                               CHANGES IN HEADINGS

20       SEC. 104. ~~(a)~~ The heading of title IV of the Social  
21 Security Act (42 U.S.C. 601, et seq.) is amended to read  
22 as follows:

1 "TITLE IV—FAMILY ASSISTANCE BENEFITS,  
 2 STATE SUPPLEMENTARY PAYMENTS, WORK  
 3 INCENTIVE PROGRAMS, AND WORK INCEN-  
 4 TIVE PROGRAMS, AND GRANTS TO STATES  
 5 FOR FAMILY AND CHILD WELFARE SERV-  
 6 ICES".

7 (b) The heading of part A of such title IV is amended  
 8 to read as follows:

9 "PART A—SERVICES TO NEEDY FAMILIES WITH  
 10 CHILDREN".

11 TITLE II—AID TO THE AGED, BLIND, AND  
 12 DISABLED

13 GRANTS TO STATES FOR AID TO THE AGED, BLIND, AND  
 14 DISABLED

15 SEC. 201. Title XVI of the Social Security Act (42  
 16 U.S.C. 1381 et seq.) is amended to read as follows:

17 "TITLE XVI—GRANTS TO STATES FOR AID TO  
 18 THE AGED, BLIND, AND DISABLED

19 "APPROPRIATIONS

20 "SEC. 1601. For the purpose of enabling each State to  
 21 furnish financial assistance to needy individuals who are  
 22 sixty-five years of age or over, blind, or disabled and for the  
 23 purpose of encouraging each State to furnish rehabilitation  
 24 and other services to help such individuals attain or retain  
 25 capability for self-support or self-care, there are authorized

1 to be appropriated for each fiscal year sums sufficient to  
 2 carry out ~~these purposes~~ *this purpose*. The sums made avail-  
 3 able under this section shall be used for making payments to  
 4 States having State plans approved under section 1602.

5 ~~"STATE PLANS FOR FINANCIAL ASSISTANCE AND SERVICES~~  
 6 ~~TO THE AGED, BLIND, AND DISABLED~~

7 "SEC. 1602. (a) A State plan for aid to the aged, blind,  
 8 and disabled must—

9 " (1) provide for the establishment or designation  
 10 of a single State agency to administer or supervise the  
 11 administration of the State plan ;

12 " (2) provide such methods of administration as are  
 13 found by the Secretary to be necessary for the proper and  
 14 efficient operation of the plan, including methods relat-  
 15 ing to the establishment and maintenance of personnel  
 16 standards on a merit basis (but the Secretary shall exer-  
 17 cise no authority with respect to the selection, tenure of  
 18 office, and compensation of individuals employed in  
 19 accordance with such methods) ;

20 " (3) provide for the ~~training and effective use of~~  
 21 ~~social service personnel in the administration of the plan,~~  
 22 for the furnishing of technical assistance to units of State  
 23 government and of political subdivisions which are fur-  
 24 nishing financial assistance ~~or services~~ to the aged, blind,  
 25 and disabled, and for the development through research

1 or demonstration projects of new or improved methods  
2 of furnishing assistance ~~or services~~ to the aged, blind,  
3 and disabled;

4 “(4) provide for the training and effective use of  
5 paid subprofessional staff (with particular emphasis on  
6 the full-time or part-time employment of recipients and  
7 other persons of low income as community service aides)  
8 in the administration of the plan and for the use of non-  
9 paid or partially paid volunteers in a social service vol-  
10 unteer program in providing services to applicants and  
11 recipients and in assisting any advisory committees  
12 established by the State agency:

13 “(5) provide that all individuals wishing to make  
14 application for aid under the plan shall have opportunity  
15 to do so and that such aid shall be furnished with reason-  
16 able promptness with respect to all eligible individuals;

17 “(6) provide for the use of a simplified statement,  
18 conforming to standards prescribed by the Secretary, to  
19 establish eligibility, and for adequate and effective meth-  
20 ods of verification of eligibility of applicants and recip-  
21 ients through the use, in accordance with regulations  
22 prescribed by the Secretary, of sampling and other  
23 scientific techniques:

24 “(7) provide that, ~~except to the extent permitted~~  
25 ~~by the Secretary with respect to services,~~ the State plan

1 shall be in effect in all political subdivisions of the State,  
2 and, if administered by them, be mandatory upon them;

3 “(8) provide for financial participation by the  
4 State;

5 “(9) provide that, in determining whether an in-  
6 dividual is blind, there shall be an examination by a  
7 physician skilled in the diseases of the eye or by an  
8 optometrist, whichever the individual may select;

9 “(10) provide for granting an opportunity for a  
10 fair hearing before the State agency to any individual  
11 whose claim for aid under the plan is denied or is not  
12 acted upon with reasonable promptness;

13 “(11) provide for periodic evaluation of the opera-  
14 tions of the State plan, not less often than annually, in  
15 accordance with standards prescribed by the Secretary,  
16 and the furnishing of annual reports of such evaluations  
17 to the Secretary together with any necessary modifica-  
18 tions of the State plan resulting from such evaluations;

19 “(12) provide that the State agency will make such  
20 reports, in such form and containing such information,  
21 as the Secretary may from time to time require, and  
22 comply with such provisions as the Secretary may from  
23 time to time find necessary to assure the correctness  
24 and verification of such reports;

1           “(13) provide safeguards which restrict the use or  
2           disclosure of information concerning applicants and re-  
3           cipients to purposes directly connected with the adminis-  
4           tration of the plan; and

5           “(14) provide, if the plan includes aid to or on  
6           behalf of individuals in private or public institutions, for  
7           the establishment or designation of a State authority or  
8           authorities which shall be responsible for establishing and  
9           maintaining standards for such institutions

10          ~~“(15) provide a description of the services which~~  
11          ~~the State makes available to applicants for or recipients~~  
12          ~~of aid under the plan to help them attain self-support or~~  
13          ~~self-care, including a description of the steps taken to~~  
14          ~~assure, in the provision of such services, maximum~~  
15          ~~utilization of all available services that are similar or~~  
16          ~~related; and~~

17          ~~“(16) assure that, in administering the State plan~~  
18          ~~and providing services thereunder, the State will observe~~  
19          ~~priorities established by the Secretary and comply with~~  
20          ~~such performance standards as the Secretary may, from~~  
21          ~~time to time, establish.~~

22          Notwithstanding paragraph (1), if on January 1, 1962,  
23          and on the date on which a State submits (or submitted) its  
24          plan for approval under this title, the State agency which  
25          administered or supervised the administration of the plan of

1 such State approved under title X was different from the  
2 State agency which administered or supervised the admin-  
3 istration of the plan of such State approved under title I and  
4 the State agency which administered or supervised the ad-  
5 ministration of the plan of such State approved under title  
6 XIV, then the State agency which administered or supervised  
7 the administration of such plan approved under title X may be  
8 designated to administer or supervise the administration of  
9 the portion of the State plan for aid to the aged, blind, and  
10 disabled which relates to blind individuals and a separate  
11 State agency may be established or designated to administer  
12 or supervise the administration of the rest of such plan; and  
13 in such case the part of the plan which each such agency  
14 administers, or the administration of which each such agency  
15 supervises, shall be regarded as a separate plan for purposes  
16 of this title.

17       “(b) The Secretary shall approve any plan which  
18 fulfills the conditions specified in subsection (a) and in  
19 section 1603, except that he shall not approve any plan  
20 which imposes, as a condition of eligibility for aid under the  
21 plan—

22               “(1) an age requirement of more than sixty-five  
23               years;

24               “(2) any residency requirement which excludes  
25               any individual who resides in the State;

1           “(3) any citizenship requirement which excludes  
2           any citizen of the United States, or any alien lawfully  
3           admitted for permanent residence who has resided in  
4           the United States continuously during the five years im-  
5           mediately preceding his application for such aid:

6           “(4) any disability or age requirement which ex-  
7           cludes any persons under a severe disability, as deter-  
8           mined in accordance with criteria prescribed by the  
9           Secretary, who are eighteen years of age or older; or

10          “(5) any blindness or age requirement which ex-  
11          cludes any persons who are blind as determined in  
12          accordance with criteria prescribed by the Secretary.

13   In the case of any State to which the provisions of section  
14   344 of the Social Security Act Amendments of 1950 were  
15   applicable on January 1, 1962, and to which the sentence  
16   of section 1002 (b) following paragraph (2) thereof is  
17   applicable on the date on which its State plan was or is  
18   submitted for approval under this title, the Secretary shall  
19   approve the plan of such State for aid to the aged, blind, and  
20   disabled for purposes of this title, even though it does not  
21   meet the requirements of section 1603 (a), if it meets all  
22   other requirements of this title for an approved plan for aid  
23   to the aged, blind, and disabled; but payments to the State  
24   under this title shall be made, in the case of any such plan,  
25   only with respect to expenditures thereunder which would



1 be included as expenditures for the purposes of this title  
2 under a plan approved under this section without regard  
3 to the provisions of this sentence.

4 "DETERMINATION OF NEED

5 "SEC. 1603. (a) A State plan must provide that, in  
6 determining the need for aid under the plan, the State agency  
7 shall take into consideration any other income or resources  
8 of the individual claiming such aid as well as ~~any~~ those ex-  
9 penses (if any) reasonably attributable to the earning of  
10 any such income which are necessitated by or related to such  
11 individual's age, blindness, or disability; except that, in  
12 making such determination with respect to any individual—

13 " (1) the State agency shall not consider as re-  
14 sources (A) the home, *automobile*, household goods, and  
15 personal effects of the individual, (B) other personal  
16 or real property, the total value of which does not ex-  
17 ceed \$1,500, or (C) other property which, as deter-  
18 mined in accordance with and subject to limitations in  
19 regulations of the Secretary, is so essential to the fam-  
20 ily's means of self-support as to warrant its exclusion,  
21 but shall apply the provisions of section 442 (d) and  
22 regulations thereunder and shall provide appropriate  
23 methods for disposal of resources in excess thereof and  
24 for application of the proceeds;

25 " (2) the State agency may not consider the

1 financial responsibility of any individual for any appli-  
2 cant or recipient unless the applicant or recipient is the  
3 individual's spouse, or the individual's child who is un-  
4 der the age of ~~twenty-one~~ *twenty-two* or is blind or  
5 severely disabled;

6 " (3) if such individual is blind, the State agency  
7 (A) shall disregard the first \$85 per month of earned  
8 income plus one-half of earned income in excess of \$85  
9 per month, and (B) shall, for a period not in excess of  
10 twelve months, and may, for a period not in excess of  
11 thirty six months, disregard such additional amounts of  
12 other income and resources, in the case of any such indi-  
13 vidual who has a plan for achieving self-support ap-  
14 proved by the State agency, as may be necessary for the  
15 fulfillment of such plan;

16 (4) if such individual is not blind but is severely  
17 disabled, the State agency (A) shall disregard the  
18 first \$85 per month of earned income plus one-half of  
19 earned income in excess of \$85 per month, and (B)  
20 shall, for a period not in excess of twelve months, and  
21 may, for a period not in excess of thirty-six months, dis-  
22 regard such additional amounts of other income and re-  
23 sources, in the case of any such individual who has a plan  
24 for achieving self-support approved by the State agency,  
25 as may be necessary for the fulfillment of the plan, but

1       only with respect to the part or parts of such period dur-  
2       ing substantially all of which he is undergoing vocational  
3       rehabilitation;

4           “(5) if such individual has attained age sixty-five  
5       and is neither blind nor severely disabled, the State  
6       agency ~~may shall~~ disregard ~~not more than~~ the first \$60  
7       per month of earned income plus one-half of the remain-  
8       der thereof; and

9           “(6) the State agency may, before disregarding any  
10       amounts under the preceding paragraphs of this subsec-  
11       tion, disregard not more than \$7.50 of any income.

12       For *additional* requirement of ~~additional disregarding~~ for  
13       *treatment* of income of OASDI recipients in determining  
14       need for aid under the plan, see section 1007 of the Social  
15       Security Amendments of 1969.

16       “(b) A State plan must also provide that—

17           “(1) each eligible individual, other than one who  
18       is a patient in a medical institution or is receiving insti-  
19       tutional services in an intermediate care facility to which  
20       section 1121 applies, shall receive financial assistance  
21       in such amount as, when added to his income which is  
22       not disregarded pursuant to subsection (a), will provide  
23       a minimum of \$110 per ~~month;~~ *month or, if higher than*  
24       *such \$110, an amount equal to the minimum amount*  
25       *which such individual would have received*

1           ~~“(2)~~ the standard of need applied for determining  
 2           eligibility for and amount of aid to the aged, blind, and  
 3           disabled shall not be lower than ~~(A)~~ the standard ap-  
 4           plied for this purpose under the State plan (approved  
 5           under this title) as in effect ~~on the date of enactment of~~  
 6           ~~part D~~ of title IV of this Act, for January 1970 plus  
 7           his income which was not disregarded pursuant to such  
 8           plan, or ~~(B)~~ if there was no such plan in effect for such  
 9           State ~~on such date~~, the standard of need which was  
 10          applicable for such month under—

11                   “(i) the State plan which was in effect on such  
 12                   date and was approved under title I, in the case of  
 13                   any individual who is sixty-five years of age or older,

14                   “(ii) the State plan in effect on such date and  
 15                   approved under title X, in the case of an individual  
 16                   who is blind, or

17                   “(iii) the State plan in effect on such date and  
 18                   approved under title XIV, in the case of an individ-  
 19                   ual who is severely disabled,

20           except that if two or more of clauses (i), (ii), and (iii)  
 21           are applicable to an individual, the standard of need  
 22           applied with respect to such individual may not be lower  
 23           than amount referred to shall be the higher (or highest)  
 24           of the standards amounts under the applicable plans,  
 25           and except that if none of such clauses is applicable to

1 an individual, the standard of need applied with respect  
2 to such individual may not be lower than amounts re-  
3 ferred to shall be the higher (or highest) of the stand-  
4 ards amounts under the State plans approved under titles  
5 I, X, and XIV which were in effect on such date for  
6 such month; and

7 “~~(3)~~ (2) no aid will be furnished to any individual  
8 under the State plan for any period with respect to  
9 which he is considered a member of a family receiving  
10 family assistance benefits under part D of title IV or  
11 supplementary payments pursuant to part E thereof, or  
12 training allowances under part C thereof, for purposes of  
13 determining the amount of such benefits, payments, or  
14 allowances (but this paragraph shall not apply to any  
15 individual, otherwise considered a member of such a  
16 family, if he elects in such manner and form as the Sec-  
17 retary may prescribe not to be considered a member  
18 of such a family).

19 “(c) For special provisions applicable to Puerto Rico,  
20 the Virgin Islands, and Guam, see section 1108 (e).

21 “PAYMENTS TO STATES FOR AID TO THE AGED, BLIND,

22 AND DISABLED

23 “SEC. 1604. From the sums appropriated therefor, the  
24 Secretary shall pay to each State which has a plan approved  
25 under this title, for each calendar quarter, an amount equal

1 to the sum of the following proportions of the total amounts  
2 expended during each month of such quarter as aid to the  
3 aged, blind, and disabled under the State plan—

4 “(1) 90 per centum of such expenditures, not  
5 counting so much of any expenditures as exceeds the  
6 product of \$65 multiplied by the total number of recipi-  
7 ents of such aid for such month; plus

8 “(2) 25 per centum of the amount by which such  
9 expenditures exceed the maximum which may be counted  
10 under paragraph (1), not counting so much of any  
11 expenditures with respect to such month as exceeds the  
12 product of the amount which, as determined by the Sec-  
13 retary, is the maximum permissible level of assistance per  
14 person in which the Federal Government will partici-  
15 pate financially, multiplied by the total number of recipi-  
16 ents of such aid for such month.

17 In the case of any individual in Puerto Rico, the Virgin  
18 Islands, or Guam, the maximum permissible level of assist-  
19 ance under paragraph (2) may be lower than in the case  
20 of individuals in the other States. For other special provisions  
21 applicable to Puerto Rico, the Virgin Islands, and Guam. see  
22 section 1108 (e).

1    **"ALTERNATE PROVISION FOR DIRECT FEDERAL PAYMENTS**  
2                                   **TO INDIVIDUALS**

3            **"SEC. 1605.** The Secretary may enter into an agreement  
4 with a State under which he will, on behalf of the State,  
5 pay aid to the aged, blind, and disabled directly to individuals  
6 in the State under the State's plan approved under this title  
7 and perform such other functions of the State in connection  
8 with such payments as may be agreed upon. In such case  
9 ~~payments shall not be made as provided in section 1604~~  
10 ~~and the agreement shall also provide for payment to the~~  
11 ~~Secretary by the State of its share of such aid an amount~~  
12 ~~equal to the payments made by the Secretary as aid to the~~  
13 ~~aged, blind, and disabled under such plan, less any payments~~  
14 ~~which would otherwise be made to the State under section~~  
15 ~~1604 with respect to such expenditures (adjusted to reflect~~  
16 ~~the State's share of any overpayments recovered under~~  
17 ~~section 1606).~~

18                           **"OVERPAYMENTS AND UNDERPAYMENTS**

19            **"SEC. 1606.** Whenever the Secretary finds that more or  
20 less than the correct amount of payment has been made to  
21 any person as a direct Federal payment pursuant to section  
22 1605, proper adjustment or recovery shall, subject to the

1 succeeding provisions of this section, be made by appropriate  
2 adjustments in future payments of the overpaid individual  
3 or by recovery from him or his estate or, *in the case of*  
4 *an underpaid individual*, payment to him. The Secre-  
5 tary shall make such provision as he finds appropriate  
6 in the case of payment of more than the correct amount  
7 of benefits with a view to avoiding penalizing individuals  
8 who were without fault in connection with the overpayment,  
9 if adjustment or recovery on account of such overpayment  
10 in such case would defeat the purposes of this title, or be  
11 against equity or good conscience, or (because of the small  
12 amount involved) impede efficient or effective administration.

13 "OPERATION OF STATE PLANS

14 "SEC. 1607. If the Secretary, after reasonable notice and  
15 opportunity for hearing to the State agency administering  
16 or supervising the administration of the State plan approved  
17 under this title, finds—

18 " (1) that the plan no longer complies with the  
19 provisions of sections 1602 and 1603; or

20 " (2) that in the administration of the plan there is  
21 a failure to comply substantially with any such provision;  
22 the Secretary shall notify such State agency that all, or such  
23 portion as he deems appropriate, of any further payments  
24 will not be made to the State or individuals within the State  
25 under this title (or, in his discretion, that payments will be



1 limited to categories under or parts of the State plan not af-  
2 fected by such failure), until the Secretary is satisfied that  
3 there will no longer be any such failure to comply. Until he  
4 is so satisfied he shall make no such further payments to the  
5 State or individuals in the State under this title (or shall  
6 limit payments to categories under or parts of the State plan  
7 not affected by such failure).

8 "PAYMENTS TO STATES FOR SERVICES AND

9 ADMINISTRATION

10 "Sec. 1608. (a) If the State plan of a State approved  
11 under section 1602 provides that the State agency will make  
12 available to applicants for or recipients of aid to the aged,  
13 blind, and disabled under the State plan at least those services  
14 to help them attain or retain capability for self-support or  
15 self-care which are prescribed by the Secretary, such State  
16 shall qualify for payments for services under subsection (b)  
17 of this section.

18 "(b) In the case of any State whose State plan ap-  
19 proved under section 1602 meets the requirements of sub-  
20 section (a), the Secretary shall pay to the State from the  
21 sums appropriated therefor an amount equal to the sum of  
22 the following proportions of the total amounts expended dur-  
23 ing each quarter, as found necessary by the Secretary for  
24 the proper and efficient administration of the State plan—

1           ~~“(1) 75 per centum of so much of such expendi-~~  
2           ~~tures as are for—~~

3                   ~~“(A) services which are prescribed pursuant to~~  
4                   ~~subsection (a) and are provided (in accordance~~  
5                   ~~with subsection (c)) to applicants for or recipients~~  
6                   ~~of aid under the plan to help them attain or retain~~  
7                   ~~capability for self-support or self-care, or~~

8                   ~~“(B) other services, specified by the Secretary~~  
9                   ~~as likely to prevent or reduce dependency, so pro-~~  
10                   ~~vided to the applicants for or recipients of aid, or~~

11                   ~~“(C) any of the services prescribed pursuant to~~  
12                   ~~subsection (a), and any of the services specified in~~  
13                   ~~subparagraph (B) of this paragraph, which the~~  
14                   ~~Secretary may specify as appropriate for individuals~~  
15                   ~~who, within such period or periods as the Secretary~~  
16                   ~~may prescribe, have been or are likely to become~~  
17                   ~~applicants for or recipients of aid under the plan, if~~  
18                   ~~such services are requested by the individuals and~~  
19                   ~~are provided to them in accordance with subsection~~  
20                   ~~(c), or~~

21                   ~~“(D) the training of personnel employed or~~  
22                   ~~preparing for employment by the State agency or~~  
23                   ~~by the local agency administering the plan in the~~  
24                   ~~political subdivision; plus~~

25           ~~“(2) one half of so much of such expenditures (not~~

1 included under paragraph (1)) as are for services pro-  
2 vided (in accordance with subsection (c)) to applicants  
3 for or recipients of aid under the plan, and to individuals  
4 requesting such services who (within such period or  
5 periods as the Secretary may prescribe) have been or  
6 are likely to become applicants for or recipients of such  
7 aid; plus

8 “(3) one half of the remainder of such expenditures.

9 “(c) The services referred to in paragraphs (1) and  
10 (2) of subsection (b) shall, except to the extent specified  
11 by the Secretary, include only—

12 “(1) services provided by the staff of the State  
13 agency, or the local agency administering the State plan  
14 in the political subdivision (but no funds authorized  
15 under this title shall be available for services defined as  
16 vocational rehabilitation services under the Vocational  
17 Rehabilitation Act (A) which are available to individ-  
18 uals in need of them under programs for their rehabilita-  
19 tion carried on under a State plan approved under that  
20 Act, or (B) which the State agency or agencies admin-  
21 istering or supervising the administration of the State  
22 plan approved under that Act are able and willing to  
23 provide if reimbursed for the cost thereof pursuant to  
24 agreement under paragraph (2); if provided by such  
25 staff); and

1           ~~“(2) subject to limitations prescribed by the Sec-~~  
2           ~~retary, services which in the judgment of the State~~  
3           ~~agency cannot be as economically or as effectively pro-~~  
4           ~~vided by the staff of that State or local agency and are~~  
5           ~~not otherwise reasonably available to individuals in need~~  
6           ~~of them, and which are provided, pursuant to agreement~~  
7           ~~with the State agency, by the State health authority or~~  
8           ~~the State agency or agencies administering or supervis-~~  
9           ~~ing the administration of the State plan for vocational~~  
10           ~~rehabilitation services approved under the Vocational~~  
11           ~~Rehabilitation Act or by any other State agency which~~  
12           ~~the Secretary may determine to be appropriate (whether~~  
13           ~~provided by its staff or by contract with public (local)~~  
14           ~~or nonprofit private agencies).~~

15           ~~Services described in clause (B) of paragraph (1) may be~~  
16           ~~provided only pursuant to agreement with the State agency~~  
17           ~~or agencies administering or supervising the administration of~~  
18           ~~the State plan for vocational rehabilitation services approved~~  
19           ~~under the Vocational Rehabilitation Act.~~

20           ~~“(d) The portion of the amount expended for admin-~~  
21           ~~istration of the State plan to which paragraph (1) of~~  
22           ~~subsection (b) applies and the portion thereof to which~~  
23           ~~paragraphs (2) and (3) of subsection (b) apply shall be~~  
24           ~~determined in accordance with such methods and procedures~~  
25           ~~as may be permitted by the Secretary.~~

1       ~~“(e)~~ In the case of any State whose plan approved  
2 under section 1602 does not meet the requirements of  
3 subsection ~~(a)~~ of this section, there shall be paid to the  
4 State, in lieu of the amount provided for under subsection  
5 ~~(b)~~, an amount equal to one-half the total of the sums  
6 expended during each quarter as found necessary by the  
7 Secretary for the proper and efficient administration of the  
8 State plan, including services referred to in subsections ~~(b)~~  
9 and ~~(c)~~ and provided in accordance with the provisions of  
10 those subsections.

11       ~~“(f)~~ In the case of any State whose State plan in-  
12 cluded a provision meeting the requirements of subsection  
13 ~~(a)~~, but with respect to which the Secretary finds, after  
14 reasonable notice and opportunity for hearing to the State  
15 agency administering or supervising the administration of  
16 the plan, that—

17             ~~“(1)~~ the provision no longer complies with the  
18 requirements of subsection ~~(a)~~; or

19             ~~“(2)~~ in the administration of the plan there is a  
20 failure to comply substantially with such provision;  
21 the Secretary shall notify the State agency that all, or such  
22 portion as he deems appropriate, of any further payments  
23 will not be made to the State under subsection ~~(b)~~ until  
24 he is satisfied that there will no longer be any such failure

1 to comply. Until the Secretary is so satisfied, no such fur-  
2 ther payments with respect to the administration of and  
3 services under the State plan shall be made, but, instead,  
4 such payments shall be made, subject to the other provisions  
5 of this title, under subsection (c).

6       *"SEC. 1608. From the sums appropriated therefor, the*  
7 *Secretary shall pay to each State which has a plan approved*  
8 *under this title, an amount equal to one-half of the total*  
9 *amounts expended during each quarter, as found necessary*  
10 *by the Secretary for the proper and efficient administration*  
11 *of the State plan.*

12       "COMPUTATION OF PAYMENTS TO STATES

13       "SEC. 1609. (a) (1) Prior to the beginning of each  
14 quarter, the Secretary shall estimate the amount to which a  
15 State will be entitled under sections 1604 and 1608 for  
16 that quarter, such estimates to be based on (A) a report  
17 filed by the State containing its estimate of the total sum  
18 to be expended in that quarter in accordance with the pro-  
19 visions of sections 1604 and 1608, and stating the amount  
20 appropriated or made available by the State and its political  
21 subdivisions for such expenditures in that quarter, and, if  
22 such amount is less than the State's proportionate share of the  
23 total sum of such estimated expenditures, the source or

1 sources from which the difference is expected to be derived,  
2 and (B) such other investigation as the Secretary may find  
3 necessary.

4 “(2) The Secretary shall then pay in such installments  
5 as he may determine, the amount so estimated, reduced or  
6 increased to the extent of any overpayment or underpay-  
7 ment which the Secretary determines was made under this  
8 section to the State for any prior quarter and with respect  
9 to which adjustment has not already been made under this  
10 subsection.

11 “(b) The pro rata share to which the United States is  
12 equitably entitled, as determined by the Secretary, of the  
13 net amount recovered during any quarter by a State or  
14 political subdivision thereof with respect to aid furnished  
15 under the State plan, but excluding any amount of such aid  
16 recovered from the estate of a deceased recipient which is not  
17 in excess of the amount expended by the State or any political  
18 subdivision thereof for the funeral expenses of the deceased,  
19 shall be considered an overpayment to be adjusted under  
20 subsection (a) (2).

21 “(c) Upon the making of any estimate by the Secre-  
22 tary under this section, any appropriations available for  
23 payments under this title shall be deemed obligated.

1    **“DEFINITION**

2           **“SEC. 1610. For purposes of this title, the term ‘aid to**  
3 **the aged, blind, and disabled’ means money payments to**  
4 **needy individuals who are 65 years of age or older, are blind,**  
5 **or are severely disabled, but such term does not include—**

6           **“(1) any such payments to any individual who is**  
7 **an inmate of a public institution (except as a patient in**  
8 **a medical institution) ; or**

9           **“(2) any such payments to any individual who has**  
10 **not attained 65 years of age and who is a patient**  
11 **in an institution for tuberculosis or mental diseases.**

12 **Such term also includes payments which are not included**  
13 **within the meaning of such term under the preceding sen-**  
14 **tence, but which would be so included except that they are**  
15 **made on behalf of such a needy individual to another indi-**  
16 **vidual who (as determined in accordance with standards**  
17 **prescribed by the Secretary) is interested in or concerned**  
18 **with the welfare of such needy individual, but only with**  
19 **respect to a State whose State plan approved under section**  
20 **1602 includes provision for—**

21           **“(A) determination by the State agency that the**  
22 **needy individual has, by reason of his physical or mental**  
23 **condition, such inability to manage funds that making**  
24 **payments to him would be contrary to his welfare and,**



1       therefore, it is necessary to provide such aid through pay-  
2       ments described in this sentence;

3           “(B) making such payments only in cases in which  
4       the payment will, under the rules otherwise applicable  
5       under the State plan for determining need and the  
6       amount of aid to the aged, blind, and disabled to be paid  
7       (and in conjunction with other income and resources),  
8       meet all the need of the individuals with respect to whom  
9       such payments are made;

10          “(C) undertaking and continuing special efforts to  
11       protect the welfare of such individuals and to improve,  
12       to the extent possible, ~~his~~ *their* capacity for self-care  
13       and to manage funds;

14          “(D) periodic review by the State agency of the  
15       determination under clause (A) to ascertain whether  
16       conditions justifying such determination still exist, with  
17       provision for termination of the payments if they do not  
18       and for seeking judicial appointment of a guardian, or  
19       other legal representative, as described in section 1111,  
20       if and when it appears that such action will best serve  
21       the interests of the needy individual; and

22          “(E) opportunity for a fair hearing before the State  
23       agency on the determination referred to in clause (A)  
24       for any individual with respect to whom it is made.

1 Whether an individual is blind or severely disabled shall be  
2 determined for purposes of this title in accordance with  
3 criteria prescribed by the Secretary.”

4 REPEAL OF TITLES I, X, AND XIV OF THE SOCIAL  
5 SECURITY ACT

6 SEC. 202. Titles I, X, and XIV of the Social Security  
7 Act (42 U.S.C. 301 et seq., 1201 et seq., and 1351 et  
8 seq.) are hereby repealed.

9 ADDITIONAL DISREGARDING OF INCOME OF OASDI RECIPI-  
10 ENTS IN DETERMINING NEED FOR AID TO THE AGED,  
11 BLIND, AND DISABLED

12 SEC. 203. Section 1007 of the Social Security Amend-  
13 ments of 1969 is amended by striking out “and before July  
14 1970” and by inserting “applying for or” immediately fol-  
15 lowing “in the case of any individual”.

16 TRANSITION PROVISION RELATING TO OVERPAYMENTS  
17 AND UNDERPAYMENTS

18 SEC. 204. In the case of any State which has a State  
19 plan approved under title I, X, XIV, or XVI of the Social  
20 Security Act as in effect prior to the enactment of this sec-  
21 tion, any overpayment or underpayment which the Secretary  
22 determines was made to such State under section 3, 1003,  
23 1403, or 1603 of such Act with respect to a period before

1 the approval of a plan under title XVI as amended by this  
2 Act, and with respect to which adjustment has not already  
3 been made under subsection (b) of such section 3, 1003,  
4 1403, or 1603, shall, for purposes of section 1609 (a) of such  
5 Act as herein amended, be considered an overpayment or  
6 underpayment (as the case may be) made under title XVI  
7 of such Act as herein amended.

8 **TRANSITION PROVISION RELATING TO DEFINITIONS OF**  
9 **BLINDNESS AND DISABILITY**

10 **SEC. 205.** In the case of any State which has in operation  
11 a plan of aid to the blind under title X, aid to the permanently  
12 and totally disabled under title XIV, or aid to the aged, blind,  
13 or disabled under title XVI, of the Social Security Act as  
14 in effect prior to the enactment of this Act, the State plan of  
15 such State submitted under title XVI of such Act as amended  
16 by this Act shall not be denied approval thereunder, with  
17 respect to the period ending with the first July 1 which  
18 follows the close of the first regular session of the legislature  
19 of such State which begins after the enactment of this Act,  
20 by reason of its failure to include therein a test of disability  
21 or blindness different from that included in the State's plan  
22 (approved under such title X, XIV or XVI of such Act)  
23 as in effect on the date of the enactment of this Act.

1 *TITLE III—INDIVIDUAL AND FAMILY SERV-*  
2 *ICES AND CONSOLIDATED HEALTH, EDU-*  
3 *CATION, AND WELFARE PLANS*

4 *ESTABLISHMENT OF SERVICES PROGRAMS*

5 *SEC. 301. The Social Security Act (42 U.S.C. 301 et*  
6 *seq.) is amended by adding after title XIX the following*  
7 *new title:*

8 *“TITLE XX—GRANTS TO STATES FOR INDIVID-*  
9 *UAL AND FAMILY SERVICES AND CONSOL-*  
10 *IDATED HEALTH, EDUCATION, AND WEL-*  
11 *FARE PLANS*

12 *“PART A—INDIVIDUAL AND FAMILY SERVICES*

13 *“AUTHORIZATION OF GRANTS*

14 *“SEC. 2001. The Secretary is authorized to make grants*  
15 *to States for the purposes of enabling each State (1) to*  
16 *provide individual and family services to low-income indi-*  
17 *viduals and families and to members of certain other groups*  
18 *particularly in need of such services in order to (A)*  
19 *strengthen family life and enhance family stability, (B)*  
20 *assist individuals to attain or retain the capability for self-*  
21 *support or self-care, (C) promote the welfare of children,*  
22 *(D) protect children and adults in danger of neglect, ex-*  
23 *ploitation, or abuse, and (E) combat dependency, and (2)*  
24 *to consolidate arrangements for providing certain individual*  
25 *and family services which are currently available within*

1 *the State through several health, education, or welfare*  
2 *programs.*

3 *“DEFINITIONS*

4 *“SEC. 2002. As used in this part—*

5 *“(1) The term ‘individual and family services’ means*  
6 *services designed to carry out the purposes for which grants*  
7 *to States are made under this part, including such services*  
8 *as:*

9 *“(A) identification of and provision of information*  
10 *to persons in need of services, counseling and referral for*  
11 *other services, and followup activities with respect to per-*  
12 *sons so referred to insure that needed services will be*  
13 *provided if available;*

14 *“(B) services in support of manpower training*  
15 *and employment programs;*

16 *“(C) family and marriage counseling, family plan-*  
17 *ning services, and other services designed to strengthen*  
18 *family life and reduce the incidence of births out of*  
19 *wedlock;*

20 *“(D) self-care services to enhance the capacity of*  
21 *individuals to function independently, including home-*  
22 *maker and other services aimed at preventing or*  
23 *reducing the need for institutional care when alternative*  
24 *arrangements are in the best interests of the individual*  
25 *concerned;*

1           “(E) protective service for adults in danger of abuse,  
2           neglect, or exploitation, or otherwise unable to care for  
3           themselves, including, subject to limitations prescribed  
4           by the Secretary, institutional services for adults who are  
5           aged, or physically or mentally disabled, and are unable  
6           to maintain their own place of residence;

7           “(F) child welfare services;

8           “(G) foster care services;

9           “(H) adoption services; and

10          “(I) temporary emergency assistance.

11          “(2) The term ‘child welfare services’ means services  
12          which supplement, or substitute for, parental care and super-  
13          vision for the purpose of (1) preventing or remedying, or  
14          assisting in the solution of problems which may result in,  
15          the neglect, abuse, exploitation, or delinquency of children,  
16          (2) protecting and caring for homeless, dependent, or ne-  
17          glected children, (3) protecting and promoting the welfare of  
18          children of working mothers, and (4) otherwise protecting  
19          and promoting the welfare of children, including the strength-  
20          ening of their own homes where possible or, where needed, the  
21          provision of adequate care of children away from their  
22          homes in foster family homes or day care or other child care  
23          facilities.

24          “(3) The term ‘foster care services’, with respect to any  
25          State, means—

1           “(A) payments for foster care (including medical  
2           care not available under the State’s plan approved under  
3           title XIX or under any other health program within the  
4           State) of a child for whom a public agency has responsi-  
5           bility made to any agency, institution, or person provid-  
6           ing such care, but only if such foster care meets stand-  
7           ards prescribed by the Secretary, and

8           “(B) services and administrative activities related  
9           to foster care of children, such as finding, evaluating,  
10          and licensing of foster homes and institutions, supervis-  
11          ing children in foster homes and institutions, and provid-  
12          ing services to enable the child to remain in or return to  
13          his own home.

14          “(4) The term ‘adoption services’ means—

15               “(A) services and administrative activities related  
16               to adoptions, including activities related to judicial pro-  
17               ceedings, determination of amount of the payments de-  
18               scribed in clause (B), location of homes, and all activities  
19               related to the placement and adoption, and any post-  
20               adoption services, with respect to any child, and

21               “(B) payments (subject to such limitations as the  
22               Secretary may by regulation prescribe) to a person or  
23               persons adopting a child based on the financial ability  
24               of such person or persons to meet the medical and other  
25               remedial needs of such child who is physically or men-

1 *tally handicapped and who, for such reason, may be*  
2 *difficult to place for adoption.*

3 *“(5) The term ‘temporary emergency assistance’ means*  
4 *assistance in cash or in kind or through the provision of*  
5 *services to individuals or families in urgent need thereof,*  
6 *subject to limitations prescribed by the Secretary with respect*  
7 *to amount and duration of assistance in cash or in kind, but*  
8 *in no case does it include assistance furnished in the form*  
9 *of cash payments to an individual or family for any period*  
10 *in excess of sixty days in any calendar year.*

11 *“(6) The term ‘poverty level’ has the same meaning as*  
12 *when used in part E of title IV.*

13 *“(7) The term ‘local prime sponsor’ means a unit of*  
14 *general local government designated to administer the pro-*  
15 *gram of individual and family services in a particular serv-*  
16 *ice area, or a local public agency designated for such purpose*  
17 *by a unit of general local government.*

18 *“ELIGIBLE INDIVIDUALS AND FAMILIES*

19 *“SEC. 2003. In order to be approved under section*  
20 *2005(b), a State plan must contain assurances, satisfactory*  
21 *to the Secretary, that, with respect to needed individual and*  
22 *family services provided under such plan—*

23 *“(1) no charge will be made for any such services*  
24 *provided to any individual or family whose income does*  
25 *not exceed the poverty level;*

26 *“(2) no charge will be made, except as authorized*



1       *pursuant to regulations prescribed by the Secretary, for*  
2       *(i) those services described in clause (A) of section 2002*  
3       *(1), (ii) protective services (other than institutional serv-*  
4       *ices) described in clause (E) or (F) of such section, or*  
5       *(iii) those services described in clause (G) or (H) of*  
6       *such section, provided to any other individual or family;*

7           *“(3) no charge will be made for those services*  
8       *described in clause (B) of section 2002(1) provided to*  
9       *any individual registered pursuant to section 447; and*

10          *“(4) except as provided in clauses (2) and (3),*  
11       *payment of fees will be required for such services, in*  
12       *accordance with a fee scheduled based upon family in-*  
13       *come and approved by the Secretary, in the case of any*  
14       *individual or family whose income exceeds the poverty*  
15       *level; and*

16       *no payment may be made under section 2012 with respect to*  
17       *any service which is not so provided.*

18           **“ORGANIZATION AND ADMINISTRATION**

19           **“SEC. 2004. (a) In order for a State to be eligible for**  
20       **payments under section 2012 for its program of individual**  
21       **and family services, the Governor of such State shall, in**  
22       **accordance with regulations of the Secretary—**

23           **“(1) divide the entire State into distinct areas for**  
24       **the provision of services (hereinafter called ‘service**  
25       **areas’), the boundaries of which, insofar as is practicable,**  
26       **shall coincide with the boundaries of one or more units**

1       *of general local government, after considering any factors*  
2       *which might affect efficient and effective administration*  
3       *of the program within an area and the boundaries of*  
4       *areas served by similar or related programs;*

5           *“(2) designate a State agency to review the admin-*  
6       *istration of the program throughout the State and to de-*  
7       *termine whether the program is being administered con-*  
8       *sistently with the State plan and any applicable area*  
9       *plan; and*

10           *“(3) designate, for the purpose of administering*  
11       *the program of individual and family services within any*  
12       *service area, either a State agency or a local prime*  
13       *sponsor, except that the chief elected official or officials*  
14       *of any municipality whose population is in excess of*  
15       *two hundred and fifty thousand may designate such*  
16       *municipality as a service area and may designate the*  
17       *local prime sponsor therefor, but in any case in which*  
18       *the Governor finds that the designation of a service*  
19       *area by the chief elected official or officials of a munici-*  
20       *pality will or is likely to result in inadequate availability*  
21       *of individual and family services in areas adjacent to*  
22       *(or near) the service area so designated, he shall notify*  
23       *the Secretary, and the Secretary may prescribe such*  
24       *requirements as a condition to such designation as he*  
25       *finds necessary to safeguard the interests of such indi-*  
26       *viduals and families. No State agency or local prime*

1        *sponsor shall be designated pursuant to this section unless*  
2        *it is separate and distinct from any agency in the State*  
3        *which is administering a program under which cash*  
4        *benefits are provided on the basis of need (but this shall*  
5        *not be construed to preclude the designation of a State*  
6        *agency or local prime sponsor which is a constituent of a*  
7        *larger agency or department which administers several*  
8        *health, education, or welfare, or related programs).*

9        *“(b) In order for a State to be eligible for payments un-*  
10        *der section 2012, the Governor of such State shall, in addition*  
11        *to the requirements of subsection (a), require each local prime*  
12        *sponsor, if any, to submit to him an annual area plan which*  
13        *he shall approve if he finds that such area plan is consistent*  
14        *with the requirements of sections 2003 and 2005, and, in the*  
15        *case of plans submitted by local prime sponsors designated by*  
16        *him, that the plan is consistent as well with any other appli-*  
17        *cable requirements of State law. In any case in which the*  
18        *Governor does not approve an area plan, the Secretary shall,*  
19        *upon request of the local prime sponsor submitting such plan*  
20        *and after consultation with the Governor, determine whether*  
21        *the area plan is consistent with the requirements of sections*  
22        *2003 and 2005 and, if the Secretary determines that such*  
23        *plan is consistent therewith, the Governor shall (in order to*  
24        *be eligible for such payments) approve such plan.*

25        *“(c) In order to carry out the purposes for which they*  
26        *were designated pursuant to subsection (a), the State agency*

1 *and local prime sponsors (if any) may, subject to limitations*  
2 *in regulations of the Secretary, enter into such contractual or*  
3 *other arrangements as may be necessary for their efficient and*  
4 *effective administration of the program of individual and*  
5 *family services.*

6 "STATE PLANS

7 "SEC. 2005. (a) *Payments may be made under section*  
8 *2012 for a year only upon compliance with section 2004 and*  
9 *submission by the Governor of an annual State plan which*  
10 *contains—*

11 " (1) (A) *identification of the designated service*  
12 *areas, State agency, and local prime sponsors (if any),*  
13 *(B) the approved area plans submitted by local prime*  
14 *sponsors designated pursuant to the exception contained*  
15 *in section 2004(a)(3), and (C) a statement of the*  
16 *allocation among service areas (consistent with criteria*  
17 *prescribed by the Secretary) which will be made from*  
18 *the State's allotments under section 2011;*

19 " (2) *assurances, satisfactory to the Secretary,*  
20 *that—*

21 " (A) *the State's program of individual and*  
22 *family services will include a reasonable balance (as*  
23 *prescribed in regulations by the Secretary) of such*  
24 *services and will conform to such minimum stand-*  
25 *ards of performance as the Secretary may establish;*

26 " (B) *the State program will, with respect to*

1           *each of the individual and family services provided,*  
2           *achieve specified levels of activity and performance*  
3           *measured and expressed in accordance with criteria*  
4           *prescribed by the Secretary;*

5           “(C) (i) *to the maximum extent consistent with*  
6           *the efficient and effective administration of the pro-*  
7           *gram, priority will be given to the employment, in the*  
8           *State’s program of individual and family services*  
9           *and in such other State-assisted programs as the*  
10          *Governor may determine, of persons registered pur-*  
11          *suant to section 447, and to this end opportunities*  
12          *for such employment will be listed with the State*  
13          *employment office for use in support of employment*  
14          *programs under part C of title IV, and (ii) a social*  
15          *service volunteer program will be developed and im-*  
16          *plemented, for the use of nonpaid or partially paid*  
17          *volunteers in providing individual and family serv-*  
18          *ices and in assisting any advisory committees es-*  
19          *tablished in connection with the State’s program of*  
20          *individual and family services;*

21          “(D) *the State agency will coordinate its pro-*  
22          *gram of individual and family services with related*  
23          *service activities and programs within the State (in*  
24          *both the public and the private sector), with par-*  
25          *ticular emphasis on eliminating the duplicative pro-*

1            *vision, under other health, education, or welfare*  
2            *programs, of those individual and family services*  
3            *which are provided under such other programs but*  
4            *the provision of which is not the fundamental*  
5            *purpose of such other programs;*

6            *“(E) the provision of protective services for*  
7            *children will be extended, with a view to making such*  
8            *services available by July 1, 1975, throughout the*  
9            *State;*

10           *“(F) the amount of non-Federal, public funds*  
11           *expended for the provision of child welfare services*  
12           *within the State will not be less than the amount of*  
13           *such funds expended for that purpose in the fiscal*  
14           *year ending June 30, 1971, under the State plan*  
15           *developed jointly with the Secretary as provided in*  
16           *part B of title IV (as it was then in effect);*

17           *“(G) if foster care of children is included in*  
18           *the State’s program of individual and family serv-*  
19           *ices, payments for such foster care will be made at*  
20           *the rate of not less than \$300 per year for each child*  
21           *receiving such care;*

22           *“(H) no more than 10 per centum of the Fed-*  
23           *eral assistance allocated to any service area will be*  
24           *used to meet the costs of providing individual and*  
25           *family services (except those required to be pro-*

1           *vided without charge pursuant to section 2003), to*  
2           *individuals or families therein whose family income*  
3           *exceeds the poverty level;*

4           *“(I) acceptance of individual and family serv-*  
5           *ices will be voluntary on the part of any person*  
6           *to whom such services are offered (or any other per-*  
7           *son responsible under applicable State law for the*  
8           *welfare of such person) and will not be a prerequi-*  
9           *site to eligibility for or receipt of any other service*  
10          *or to assistance from any other program operated*  
11          *by the designated State agency or by a local prime*  
12          *sponsor;*

13          *“(J) the Governor will make appropriate*  
14          *arrangements for the administration of the program*  
15          *of individual and family services in any service*  
16          *area in which a local prime sponsor fails to submit*  
17          *an approvable area plan or fails substantially to*  
18          *administer such program in accordance with its*  
19          *approved area plan;*

20          *“(K) the State agency will (i) make such*  
21          *reports, in such form and containing such informa-*  
22          *tion, as the Secretary may from time to time require,*  
23          *and will comply with such provisions as the Secre-*  
24          *tary may from time to time find necessary to assure*  
25          *the correctness and verification of such reports, and*

1           (ii) conduct periodic evaluations of its program of  
2           individual and family services;

3           “(L) safeguards will be provided which re-  
4           strict the use or disclosure of information concern-  
5           ing applicants for and recipients of individual and  
6           family services to purposes directly connected with  
7           the operation of the program;

8           “(M) an opportunity for a fair hearing be-  
9           fore the State agency will be afforded to any person  
10          whose request for services under the State plan is  
11          denied; and

12          “(N) the State agency will provide such meth-  
13          ods of administration as are found by the Secretary  
14          to be necessary for the proper and efficient operation  
15          of the program, including methods relating to the  
16          establishment and maintenance of personnel stand-  
17          ards on a merit basis (but the Secretary shall exer-  
18          cise no authority with respect to the selection, tenure  
19          of office, and compensation of individuals employed  
20          in accordance with such methods); and

21          “(3) an annual operating plan which contains such  
22          information and is in such form and detail as the Secre-  
23          tary finds necessary for purposes of this part.

24          “(b) The Secretary shall approve a State plan sub-  
25          mitted under subsection (a) if he finds that all of the foregoing  
26          requirements have been met, except that he shall not approve



1 *any such plan if there is imposed as a condition of eligibility*  
2 *thereunder, any residence requirement which denies services*  
3 *to any individual present in the State.*

4 *“OPERATION OF STATE PROGRAMS*

5 *“SEC. 2006. (a) If the Secretary determines, after*  
6 *notice and opportunity for hearing, that in the administration*  
7 *of the State’s program of individual and family services there*  
8 *is a substantial failure to comply with any assurance required*  
9 *by section 2003 or 2005(a) or with any other requirement*  
10 *of this part, the Secretary shall notify the Governor that*  
11 *further payments will not be made to the State (or, in the*  
12 *Secretary’s discretion, that payments will be limited to those*  
13 *portions of the program or those service areas not affected*  
14 *by such failure) until the Secretary is satisfied that there is*  
15 *no longer any such failure to comply, and until he is so*  
16 *satisfied he shall make no such further payments or shall limit*  
17 *payments to those portions of the program or those service*  
18 *areas not affected by such failure.*

19 *“(b) In any case in which payments to a State are*  
20 *terminated or limited pursuant to subsection (a), the Sec-*  
21 *retary may provide, directly or through such arrangements*  
22 *as he deems appropriate, any services which would be pro-*  
23 *vided had such State’s program of individual and family*  
24 *services continued in accordance with its plan approved*  
25 *under this part, and for this purpose may expend such*

1 portion of the appropriate allotment of such State under  
2 section 2011 as he deems necessary.

3       “(c) In addition to the authority contained in subsec-  
4 tions (a) and (b), the Secretary, if he finds that there is a  
5 substantial failure to comply with the assurance required  
6 by section 2005(a)(2)(D), may (1) refuse to make grants  
7 for any other purpose under this part to the agency adminis-  
8 tering the program of individual and family services in  
9 the service area where such failure occurs, or (2) reduce  
10 the amount which would otherwise be paid to the State  
11 under section 2012 by an amount not in excess of the amounts  
12 which he estimates are being expended under other health,  
13 education, or welfare programs within such service area to  
14 provide services such as those described in section 2005(a)  
15 (2)(D) in a manner which is inconsistent with such  
16 assurance.

#### 17   “EVALUATION

18       “SEC. 2007. (a) The Secretary shall conduct in each  
19 State not less often than once every two years an evaluation  
20 of the achievements and the efficiency and effectiveness of the  
21 program operated under the State plan approved pursuant to  
22 section 2005(b).

23       “(b) Such evaluations may be carried out by the Secre-  
24 tary directly or by contract.

25       “(c) The Secretary shall take all necessary steps to

1 publicize the results of the evaluation of the program of  
2 individual and family services operated in each State, includ-  
3 ing publishing a report containing such results and sending  
4 copies of such report to one or more of the news media in  
5 each State whose program was evaluated.

6 *“PROJECT GRANTS AND CONTRACTS*

7 *“SEC. 2008. (a) The Secretary is authorized to make*  
8 *grants to any State or local public agency for planning for*  
9 *the establishment of a program of individual and family*  
10 *services or for the implementation of the assurance required*  
11 *by section 2005(a)(2)(D).*

12 *“(b) The Secretary may make available to any State*  
13 *agency or local prime sponsor designated pursuant to section*  
14 *2004(a)(3), such technical assistance as may be necessary*  
15 *to assist such agency or local prime sponsor to administer, in*  
16 *an effective and efficient manner, a program and family*  
17 *services under this part.*

18 *“(c) The Secretary is authorized to make grants to any*  
19 *public or nonprofit private agency or organization, and con-*  
20 *tracts with any public or private agency or organization,*  
21 *for—*

22 *“(1) training of persons employed or preparing for*  
23 *employment in carrying out programs related to the pur-*  
24 *poses of this part;*

25 *“(2) research into or demonstrations of—*

1           “(A) new individual and family services or  
2           more effective combinations of such services, and

3           “(B) innovative methods of delivering such  
4           services;

5           “(3) evaluations of State and local programs of  
6           individual and family services; and

7           “(4) provision of individual and family services.

8           “(d) Payments for projects pursuant to grants or con-  
9           tracts under this section may be made for not to exceed 90 per  
10          centum of the cost of such projects, except that, the Secre-  
11          tary may pay all of the costs of such a project where he finds  
12          that full payment is essential to its successful implementation.  
13          Such payments may be made (after necessary adjustment, in  
14          the case of grants, on account of previously made overpay-  
15          ments or underpayments) in advance or by way of reimburse-  
16          ment, and in such installments and on such conditions, as the  
17          Secretary may determine.

18                   “GOVERNMENT ASSISTANCE PROGRAMS

19           “SEC. 2009. (a) The Secretary is authorized to make  
20           grants for the purpose of strengthening the capacity of State  
21           or county or other units of general local government to plan  
22           or deliver a broad range of services under health, education,  
23           or welfare programs in an effectively coordinated manner.

24           “(b) Grants may be made under this section to—

25                   “(1) the Governor of a State,

1           “(2) the chief elected executive officer or officers of a  
2           county, city, town, or other unit of general local govern-  
3           ment, or

4           “(3) a tribal council.

5           “(c) Grants under this section may be made for projects  
6 for—

7           “(1) comprehensive planning and supervision on an  
8           interdisciplinary basis for the provision of services pur-  
9           suant to health, education, or welfare programs, with  
10          special emphasis on activities to carry out the assurance  
11          required by section 2005(a)(2)(D);

12          “(2) evaluation and monitoring of health, educa-  
13          tion, or welfare programs to determine their adequacy  
14          and effectiveness;

15          “(3) training of persons employed by the grantee  
16          and arranging for exchange, with other units of gov-  
17          ernment or with the private sector, of persons employed  
18          in health, education, or welfare programs, or in posi-  
19          tions in support of such program;

20          “(4) technical assistance to public agencies engaged  
21          in the planning or operation of health, education, or  
22          welfare programs; and

23          “(5) systems analysis, including the development of  
24          program budgeting and information systems, for State  
25          and local agencies.

1       “(d)(1) Grants under this section may be made with  
2 respect to any project for a period of not more than three  
3 years and may not exceed 75 per centum of the cost of the  
4 project for the first year thereof, 65 per centum of such cost  
5 for the second year thereof, and 50 per centum of such cost  
6 for the third year thereof, except that when such project is  
7 undertaken jointly by two or more grantees, such percent-  
8 ages may be increased to 95 per centum, 85 per centum, and  
9 70 per centum, respectively.

10       “(2) Payments with respect to grants under this section  
11 may be made (after necessary adjustment on account of pre-  
12 viously made overpayments or underpayments) in advance or  
13 by way of reimbursement, and in such installments and on  
14 such conditions, as the Secretary may determine.

15                               “APPROPRIATIONS

16       “SEC. 2010. (a) There are authorized to be appropri-  
17 ated, for the fiscal year ending June 30, 1972, and for each  
18 fiscal year thereafter such sums as may be necessary for  
19 grants or contracts under this part.

20       “(b) There are authorized to be appropriated, for the  
21 fiscal year ending June 30, 1972, \$50,000,000 and for the  
22 succeeding three fiscal years such sums as may be necessary  
23 for grants to States to assure more equal expenditures for  
24 individual and family services among the States.

25       “(c) There are authorized to be appropriated for the

1 *fiscal year ending June 30, 1972, \$150,000,000 and for each*  
2 *fiscal year thereafter such sums as may be necessary, in addi-*  
3 *tion to sums appropriated for such purpose pursuant to sub-*  
4 *sections (a) and (b), for grants to States for foster care and*  
5 *adoption services.*

6 *“(d) There are authorized to be appropriated for the*  
7 *fiscal year ending June 30, 1972, and for each fiscal year*  
8 *thereafter, in addition to sums appropriated for such purpose*  
9 *pursuant to subsections (a) and (b), such sums as may be*  
10 *necessary for grants to States for temporary emergency assist-*  
11 *ance in the form of cash payments and, when provided in*  
12 *connection with a major disaster declared by the President*  
13 *pursuant to 42 U.S.C. 1855 et seq., in the form of services.*

14 *“ALLOTMENTS*

15 *“SEC. 2011. (a) The sums appropriated pursuant to*  
16 *section 2010 for a fiscal year shall be allotted as follows:*

17 *“(1)(A) the Secretary shall reserve an amount*  
18 *equal to 10 per centum of the sums appropriated pur-*  
19 *suant to subsection (a) of such section, of which at least*  
20 *one-half shall be available to carry out sections 2007*  
21 *and 2008, and the remainder shall be available to carry*  
22 *out section 2009;*

23 *“(B) from the remainder of the sums appropriated*  
24 *pursuant to subsection (a) of such section, (i) the Secre-*  
25 *tary shall allot to each State an amount which bears the*

1     *same ratio to such remainder as the Federal share of*  
2     *expenditures in such State in the fiscal year ending*  
3     *June 30, 1971, for services under titles I, IV (part A),*  
4     *X, XIV, and XVI, and for child welfare services under*  
5     *title IV (part B) bears to the total of such Federal*  
6     *shares in all the States, but in no case shall such amount*  
7     *with respect to any State exceed the Federal share of*  
8     *such expenditures in such State in such year, and (ii)*  
9     *after the allotment pursuant to clause (1) has been*  
10    *made, from the sums remaining (if any), the Secretary*  
11    *shall allot to each State an amount which bears the same*  
12    *ratio to such sums remaining as the number of individ-*  
13    *uals in such State whose income does not exceed the*  
14    *poverty level bears to the number of such individuals in*  
15    *all the States;*

16        “(2) from the sums appropriated pursuant to sub-  
17    *section (b) of such section, there shall be allotted to each*  
18    *State in which the average service expenditure (as de-*  
19    *finied in subsection (b) of this section) is less than the*  
20    *average of such expenditures in all the States, an amount*  
21    *which, with respect to each such State, is equal to the*  
22    *same proportion of the difference between the average*  
23    *service expenditure in such State and the average of such*  
24    *expenditures in all the States; and*

25        “(3) from the sums appropriated pursuant to sub-  
26    *section (c) of section 2010, there shall be allotted to each*



1        *State an amount which bears the same ratio to such sums*  
2        *as the number of children in such State bears to the num-*  
3        *ber of children in all the States.*

4        *“(b) For purposes of this section, the term ‘average*  
5        *service expenditure’ in a State means the amount obtained*  
6        *by dividing (1) the Federal share of expenditures in such*  
7        *State in the fiscal year ending June 30, 1971, for services*  
8        *under titles I, IV (part A), X, XIV, and XVI, by (2) the*  
9        *number of individuals in the State whose income does not*  
10       *exceed the poverty level, determined on the basis of the most*  
11       *recent period for which satisfactory data are available from*  
12       *the Department of Commerce.*

13       *“(c) The amount of any allotment to a State under sub-*  
14       *section (a) for any fiscal year which the Secretary deter-*  
15       *mines will not be required for carrying out the State’s pro-*  
16       *gram of individual and family services (if any) under this*  
17       *part shall be available for reallocation, for the same purposes*  
18       *for which it was originally available, from time to time, on*  
19       *such dates as the Secretary may fix, to other States which the*  
20       *Secretary determines have need in carrying out their pro-*  
21       *grams of individual and family services under this part of*  
22       *amounts in excess of those previously allotted to them under*  
23       *subsection (a), giving particular consideration to the needs*  
24       *of States for reallocations to prevent termination or reduction*  
25       *of ongoing services. Any amount so reallocated to a State shall*

1 *be deemed part of its allotment under clause (1), (2), or (3)*  
2 *of subsection (a), as appropriate.*

3 *“(d) The amount of any allotment under this section to*  
4 *which a State would otherwise be entitled shall be reduced by*  
5 *any amounts expended for the provision of individual and*  
6 *family services within such State by the Secretary pursuant*  
7 *to section 2006(b).*

8 *“PAYMENTS*

9 *“SEC. 2012. For each fiscal year, the Secretary shall pay*  
10 *to each State with State plan approved pursuant to section*  
11 *2005, the sum of the following amounts:*

12 *“(1)(A) an amount equal to 90 per centum of*  
13 *expenditures during such year for those individual and*  
14 *family services described in section 2002(1)(B), and*

15 *“(B) an amount equal to 75 per centum of ex-*  
16 *penditures (other than those with respect to which pay-*  
17 *ment is made under paragraph (2)) during such year*  
18 *for—*

19 *“(i) other individual and family services (but*  
20 *not including temporary emergency assistance in*  
21 *the form of cash payments), including the renova-*  
22 *tion, remodeling, or alteration of facilities necessary*  
23 *to adapt them or increase their effectiveness for use as*  
24 *group care facilities for children receiving individual*  
25 *and family services, and*

1           “(ii) administrative and other activities, sub-  
2           ject to limitations prescribed by the Secretary, for  
3           the purpose of increasing the efficiency or effectiveness  
4           of the State’s program of individual and family  
5           services,

6           but reduced by 75 per centum of any fees collected for  
7           such services;

8           “(2) an amount equal to the expenditures made, as  
9           required by section 2005(a)(2)(G), during such year  
10          in the form of payments for foster care and 75 per  
11          centum of any other expenditures during such year for  
12          foster care services and for adoption services; and

13          “(3) an amount equal to 50 per centum of expendi-  
14          tures during such year for temporary emergency assist-  
15          ance in the form of cash payments,

16          except that the amount paid to such State pursuant to para-  
17          graph (1) for any fiscal year may not exceed the amount  
18          allotted to such State under paragraphs (1) and (2) of sec-  
19          tion 2011(a) for such year and the amount paid to such  
20          State pursuant to paragraph (2) for any fiscal year may not  
21          exceed the amount allotted to such State under paragraph (3)  
22          of such section. To the extent permitted by the Secretary, the  
23          term ‘expenditure’ as used in clauses (1) and (2) may be  
24          construed to include services or facilities made available for

1 *the provision of individual and family services under the*  
2 *approved State plan.*

3 **"NATIONAL ADOPTION INFORMATION EXCHANGE SYSTEM**

4 *"SEC. 2013. (a) The Secretary is authorized to provide*  
5 *information, through a national adoption information ex-*  
6 *change system, to assist in the placement of children await-*  
7 *ing adoption and in the location of children for persons who*  
8 *wish to adopt children, including cooperative efforts with any*  
9 *similar programs operated by or within foreign countries,*  
10 *and such other related activities as would further or facili-*  
11 *tate adoptions.*

12 *"(b) There are authorized to be appropriated \$1,000,-*  
13 *000 for the fiscal year ending June 30, 1972, and such*  
14 *sums as may be necessary for succeeding fiscal years, to*  
15 *carry out this section.*

16 **"PART B—CONSOLIDATED HEALTH, EDUCATION, AND**  
17 **WELFARE PLANS**

18 **"PURPOSE**

19 *"SEC. 2020. In order to secure increased flexibility to*  
20 *respond to the varying needs and local conditions within his*  
21 *State, and in order to permit more effective and interrelated*  
22 *planning and operation of its health, education, or welfare*  
23 *programs, the Governor of a State may submit an annual*  
24 *consolidated health, education, and welfare plan which in-*  
25 *cludes the State's program of individual and family services*  
26 *and one or more other health, education, or welfare programs.*

1     *"CONSOLIDATED HEALTH, EDUCATION, AND WELFARE*  
 2   *PLANS*

3             *"SEC. 2021. (a) A consolidated health, education, and*  
 4 *welfare plan shall—*

5                     *"(1) designate an agency or official, reporting di-*  
 6 *rectly to the Governor, to carry out the requirements of*  
 7 *clause (2);*

8                     *"(2) provide that all necessary steps will be taken*  
 9 *to assure the coordinated planning and administration of*  
 10 *the programs included in the plan, which shall include*  
 11 *joint planning, exchange of information, establishment of*  
 12 *procedures for referral of persons seeking services, and*  
 13 *provision of services through single sites;*

14                    *"(3) provide that any unit of general local govern-*  
 15 *ment administering portions of any two or more pro-*  
 16 *grams included in the plan will be permitted to exercise*  
 17 *the options authorized in section 2022;*

18                    *"(4) if Federal assistance is to be transferred from*  
 19 *one program to another, as authorized in section 2022,*  
 20 *contain a full description of the programs, purposes, and*  
 21 *the amounts involved at both the State and local levels;*  
 22 *and*

23                    *"(5) comply with all other requirements imposed by*  
 24 *or pursuant to statutes applicable to the programs in-*  
 25 *cluded in the plan, except that the Secretary may waive*

1        *any nonstatutory requirements applicable to any such*  
2        *program to the extent necessary to achieve the purposes*  
3        *of the plan and upon such conditions as he deems appro-*  
4        *priate to assure compliance with all applicable statutory*  
5        *conditions.*

6        *“(b) If the Secretary finds that the requirements of*  
7        *subsection (a) and of the statute authorizing Federal assist-*  
8        *ance for each program included in the plan all (subject to*  
9        *any waivers authorized by subsection (a)) are satisfied, he*  
10       *shall approve the plan, which shall serve in all respects as the*  
11       *substitute for the separate plans which would otherwise be*  
12       *required with respect to each of the programs included*  
13       *therein.*

14       *“(c)(1) If the Secretary finds, after notice and oppor-*  
15       *tunity for a hearing to a State, that a program included in*  
16       *its plan approved under this section no longer complies with*  
17       *all applicable requirements, that program may no longer be*  
18       *included within the plan until the Secretary is satisfied that*  
19       *it meets such requirements.*

20       *“(2) If the statute authorizing the assistance for the pro-*  
21       *gram referred to in paragraph (1) requires notice and*  
22       *opportunity for hearing before suspension or termination of*  
23       *assistance or any other such sanction may be imposed, the*  
24       *notice and opportunity for hearing afforded pursuant to*  
25       *paragraph (1), may, at the option of the Secretary, be*

1 *deemed to have been provided pursuant to the requirements in*  
2 *the statute under which such assistance is extended.*

3 **“OPTIONS FOR PROGRAM INTEGRATION**

4 **“SEC. 2022. (a) Notwithstanding any other provision**  
5 **of Federal law—**

6 **“(1) the Secretary may, upon request of the Gover-**  
7 **nor, establish a single Federal share for expenditures**  
8 **under the plan based on (A) the Federal share or shares**  
9 **applicable to the various programs included in the plan,**  
10 **and (B) the total expenditures which may be claimed for**  
11 **Federal financial participation with respect to each such**  
12 **program, and**

13 **“(2) the Governor or the chief elected executive**  
14 **officer or officers of a unit of general local government**  
15 **which administers one or more health, education, or wel-**  
16 **fare programs included in the plan may transfer an**  
17 **amount, not in excess of 20 per centum of the Federal**  
18 **assistance available to the State or to such unit of general**  
19 **local government with respect to any program included**  
20 **in the plan for any fiscal year, for use in carrying out**  
21 **one or more other such programs in the same fiscal year,**  
22 **but in no case may the amount of Federal assistance**  
23 **available for use in carrying out any of such other pro-**  
24 **grams exceed 150 per centum of the amount of such**

1       *assistance which would have been available therefor with-*  
 2       *out regard to this subsection.*

3       “(b) *Any Federal assistance transferred pursuant to*  
 4       *subsection (a) shall be subject to the non-Federal share re-*  
 5       *quirements applicable to such assistance prior to such transfer.*

6       “(c) *None of the provisions of this section shall apply*  
 7       *with respect to a program of medical assistance under title*  
 8       *XIX, or of cash assistance under title IV or XVI.*

9                               *“PART C—GENERAL PROVISIONS*

10                                       *“JOINT FUNDING*

11       “*SEC. 2030. Pursuant to regulations prescribed by the*  
 12       *President, where funds are advanced for a single project or*  
 13       *program by more than one Federal agency to an agency or*  
 14       *organization assisted under this title, any one Federal agency*  
 15       *may be designated to act for all in administering the funds*  
 16       *advanced. In such cases, a single non-Federal share require-*  
 17       *ment may be established according to the proportion of funds*  
 18       *advanced by each agency, and any such agency may waive*  
 19       *any technical grant or contract requirement (as defined by*  
 20       *such regulations) which is inconsistent with the similar re-*  
 21       *quirements of the administering agency or which the ad-*  
 22       *ministering agency does not impose.*

23                                       *“DEFINITIONS*

24       “*SEC. 2031. For purposes of this title—*

25               “(1) *the term ‘Governor’ means the chief executive*  
 26       *officer of each State;*





1           (2) by striking out "I, X, XIV," in section 1106  
2           (o) (1) (A) ;

3           (3) ~~(A)~~ by striking out "I, X, XIV, and XVI"  
4           in section 1108 ~~(a)~~ and inserting in lieu thereof "XVI",  
5           and

6           ~~(B)~~ by striking out "section 402 ~~(a) (10)~~" in sec-  
7           tion 1108 ~~(b)~~ and inserting in lieu thereof "part A of  
8           title IV" by repealing section 1108 (a) and (b) ;

9           (4) by striking out the text of section 1109 and  
10           inserting in lieu thereof the following:

11           "SEC. 1109. Any amount which is disregarded ~~(or set~~  
12           ~~aside for future needs)~~ in determining the eligibility for and  
13           amount of aid or assistance for any individual under a State  
14           plan approved under title XVI or XIX, or eligibility for  
15           and amount of payments pursuant to part D or E of title  
16           IV, shall not be taken into consideration in determining the  
17           eligibility for and amount of such aid, assistance, or payments  
18           for any other individual under such other State plan or such  
19           part D or E." ;

20           (5) (A) by striking out "I, X, XIV, and" in sec-  
21           tion 1111, and

22           (B) by striking out "part A" in such section and  
23           inserting in lieu thereof "parts D and E" ;

24           (6) (A) by striking out "I, X, XIV," in the mat-  
25           ter preceding clause (a) in section 1115, by striking out  
26           "or XIX" and inserting in lieu thereof "XIX, or XX",

1 and by striking out "part A" in such matter and inserting  
2 in lieu thereof "parts ~~A~~ and E",

3 (B) by striking out "of section 2, 402, 1002,  
4 1402, 1602, or 1902" in clause (a) of such section and  
5 inserting in lieu thereof "of or pursuant to section ~~402~~,  
6 452, 1602, 1603, 1902, 2003, and 2005", and

7 (C) by striking out "3, 403, 1003, 1403, 1603,  
8 or 1903" in clause (b) of such section and inserting in  
9 lieu thereof "~~403~~, 453, 1604, 1608, 1903, or 2012";

10 (7) (A) by striking out "I, X, XIV, XVI, or  
11 XIX, or part A of title IV" in subsections (a) (1), (b),  
12 and (d) of section 1116 and inserting in lieu thereof  
13 "XVI, XIX, or XX", and

14 (B) by striking out "4, 404, 1004, 1404, 1604, or  
15 1904" in subsection (a) (3) of such section and insert-  
16 ing in lieu thereof "~~404~~, 454, 1607, ~~1608~~, 1904, or  
17 2006";, and

18 (C) by inserting after subsection (d) of such sec-  
19 tion the following new subsection:

20 "(e) If the Secretary determines that a State  
21 plan which he has approved under title XVI, XIX,  
22 or XX no longer complies with the applicable re-  
23 quirements for approval, or that in the administra-  
24 tion of such plan or of any agreement into which  
25 he has entered under section 437, 451, 461, or 1605,  
26 there is a failure by the State to comply substantially

1 with any provision of such plan or agreement, the  
2 Secretary may request the Attorney General to bring  
3 suit to enforce the provisions of such plan or agree-  
4 ment.”;

5 (8) by repealing section 1118;

6 (9) (A) by striking out “~~I, X, XIV~~” everything  
7 after “individual” in section 1119 that precedes clause  
8 (1) and inserting in lieu thereof “eligible for individual  
9 and family services, as prescribed by section 2003(1),  
10 under a State plan approved under title XX if—”, and

11 ~~(B)~~ by striking out “part A” in such section and in-  
12 serting in lieu thereof “services under a State plan ap-  
13 proved under part A”, and

14 ~~(C)~~ (B) by striking out “3 (a), 403 (a), 1003 (a),  
15 1403 (a), or 1603 (a)” in such section and inserting in  
16 lieu thereof “~~403(a) or 1604 2012(1)~~”; and

17 (10) (A) by striking out “a plan for old-age assist-  
18 ance, approved under title I, a plan for aid to the blind,  
19 approved under title X, a plan for aid to the permanently  
20 and totally disabled, approved under title XIV, or a plan  
21 for aid to the aged, blind, or disabled” in section 1121  
22 (a) and inserting in lieu thereof “a plan for aid to the  
23 aged, blind, and disabled”, and

24 (B) by inserting “(other than a public nonmedical  
25 facility)” in such section after “intermediate care facili-  
26 ties” the first time it appears.

27 **AMENDMENTS TO TITLE XVIII**

28 **SEC. 303. 403.** Title XVIII of the Social Security Act is  
29 amended—

1 (1) (A) by striking out "title I or" in section 1843

2 (b) (1),

3 (B) by striking out "all of the plans" in section

4 1843 (b) (2) and inserting in lieu thereof "the plan",

5 and

6 (C) by striking out "titles I, X, XIV, and XVI, and

7 part A" in section 1843 (b) (2) and inserting in lieu

8 thereof "title XVI and under part E";

9 (2) (A) by striking out "title I, X, XIV, or XVI

10 or part A" in section 1843 (f) both times it appears and

11 inserting in lieu thereof "title XVI and under part E";

12 and

13 (B) by striking out "title I, XVI, or XIX" in such

14 section and inserting in lieu thereof "title XVI or XIX";

15 and

16 (3) by striking out "I, XVI" in section 1863 and

17 inserting in lieu thereof "XVI".

18 **AMENDMENTS TO TITLE XIX**

19 **SEC. ~~304.~~ 404.** Title XIX of the Social Security Act is

20 amended—

21 (1) by striking out "families with dependent chil-

22 dren" and "permanently and totally" in clause (1) of

23 the first sentence of section 1901 and inserting in lieu

24 thereof "needy families with children" and "severely",

25 respectively;

1           (2) by striking out "I or" in section 1902 (a)  
2           (5);

3           (3) (A) by striking out everything in section  
4           1902 (a) (10) which precedes clause ~~(A)~~ (B) and  
5           inserting in lieu thereof the following:

6           " (10) provide for making medical assistance  
7           available to all individuals receiving assistance to  
8           needy families with children as defined in section  
9           ~~405 (b)~~ 455, receiving payments under an agree-  
10          ment pursuant to part E of title IV, or receiving aid  
11          to the aged, blind, and disabled under a State plan  
12          approved under title XVI; and—", and

13          ~~(B)~~ by inserting "or payments under such part E"  
14          after "such plan" each time it appears in clauses ~~(A)~~  
15          and ~~(B)~~ of such section;

16          "*(A) provide that medical assistance made avail-  
17          able to any such individuals—*

18                 "*(i) shall be equal in amount, duration, and  
19                 scope for all such individuals, and*

20                 "*(ii) shall not be less in amount, duration, or  
21                 scope than the medical or remedial care and services  
22                 made available to any other individuals; and"*, and

23          (B) by striking out "aid or assistance under any  
24          such State plan" each time it appears in clause (B) of  
25          such section and inserting in lieu thereof "such assist-

1        *ance, payments, or aid” and by striking out “of the one*  
 2        *of such State plans which is appropriate” in such clause*  
 3        *(B) and inserting in lieu thereof “for such assistance,*  
 4        *payments, or aid”;*

5            *(4) by striking out “effective July 1, 1969,” in*  
 6        *section 1902(a)(11)(B);*

7            ~~(4)~~ *(5) by striking out section 1902 (a) (13) (B)*  
 8        *and inserting in lieu thereof the following:*

9            *“(B) in the case of individuals receiving assist-*  
 10        *ance to needy families with children as defined in*  
 11        *section ~~405(b)~~ 455, receiving payments under an*  
 12        *agreement pursuant to part E of title IV, or receiv-*  
 13        *ing aid to the aged, blind, and disabled under a State*  
 14        *plan approved under title XVI, for the inclusion of*  
 15        *at least the care and services listed in clauses (1)*  
 16        *through (5) of section 1905 (a), and”;*

17            ~~(5)~~ *(6) by striking out “aid or assistance under*  
 18        *State plans approved under titles I, X, XIV, XVI, and*  
 19        *part A of title IV,” in section 1902 (a) (14) (A) and*  
 20        *inserting in lieu thereof “assistance to needy families with*  
 21        *children as defined in section ~~405(b)~~ 455, receiving pay-*  
 22        *ments under an agreement pursuant to part E of title IV,*  
 23        *or receiving aid to the aged, blind, and disabled under a*  
 24        *State plan approved under title XVI,”;*

25            ~~(6)~~ *(7) (A) by striking out “aid or assistance under*

1 the State's plan approved under title I, X, XIV, or XVI,  
2 or part A of title IV," in so much of section 1902 (a)  
3 (17) as precedes clause (A) and inserting in lieu thereof  
4 "assistance to needy families with children as defined in  
5 section ~~405(b)~~ 455, payments under an agreement pur-  
6 suant to part E of title IV, or aid under a State plan ap-  
7 proved under title XVI,"

8 (B) by striking out "aid or assistance in the  
9 form of money payments under a State plan approved  
10 under title I, X, XIV, or XVI, or part A of title  
11 IV) *as would not be disregarded (or set aside for future  
12 needs)*" in clause (B) of such section and inserting in  
13 lieu thereof "assistance to needy families with children  
14 as defined in section ~~405(b)~~ 455, payments under an  
15 agreement pursuant to part E of title IV, or aid to the  
16 aged, blind, and disabled under a State plan approved  
17 under title XVI) *as would not be disregarded*",

18 (C) by striking out "aid or assistance under such  
19 plan" in such clause (B) and inserting in lieu thereof  
20 "assistance, ~~aid, or payments~~; payments, or aid", and

21 (D) by striking out "age 21 or is blind or per-  
22 manently and totally disabled in clause (D) of such sec-  
23 tion and inserting in lieu thereof "age 22 or is blind or  
24 severely disabled";



1           (8) by striking out “age 21 or is blind or per-  
2           manently and totally disabled” in section 1902(a)(18)  
3           and inserting in lieu “age 22 or is blind or severely dis-  
4           abled”;

5           ~~(7)~~ (9) by striking out “section 3(a)(4)(A)  
6           (i) and (ii) or section 1603(a)(4)(A)(i) and (ii)”  
7           in section 1902(a)(20)(C) and inserting in lieu there-  
8           of “section ~~1603(b)(1)(A) and (B)~~ 2002(1)(D)  
9           and (E)”;

10           (10) by striking out “effective July 1, 1969,” in  
11           sections 1902(a)(24) and 1902(a)(26);

12           (11) by striking out “(after December 31, 1969)”  
13           in section 1902(a)(28)(F)(i);

14           ~~(8)~~ (12) by striking out “title X (or title XVI, in-  
15           sofar as it relates to the blind) was different from the  
16           State agency which administered or supervised the ad-  
17           ministration of the State plan approved under title I (or  
18           title XVI, insofar as it relates to the aged), the State  
19           agency which administered or supervised the administra-  
20           tion of such plan approved under title X (or title XVI,  
21           insofar as it relates to the blind)” in the last sentence of  
22           section 1902(a) and inserting in lieu thereof “title XVI,  
23           insofar as it relates to the blind, was different from  
24           the agency which administered or supervised the ad-

1       ministration of such plan insofar as it relates to the aged,  
2       the agency which administered or supervised the admin-  
3       istration of the plan insofar as it relates to the blind”;

4       ~~(9)~~ (13) by striking out “section 406(a)(2)” in  
5       section 1902 (b) (2) and inserting in lieu thereof “sec-  
6       tion 405(b)”;  
7       the following:

8       “(2) any age requirement which excludes any indi-  
9       vidual who has not attained age 22 and is or would, but  
10      for the provisions of section 445(b)(2), be a member of  
11      a family eligible for assistance to needy families with  
12      children as defined in section 455 or supplementary  
13      payments under part E of title IV; or”;

14      ~~(10)~~ (14) by striking out “I, X, XIV, or  
15      XVI, or part A” in section 1902 (e) and inserting in  
16      lieu thereof “XVI or under an agreement under part E”;

17      (15)(A) by striking out “and section 1117” and  
18      “beginning with the quarter commencing January 1,  
19      1966” in the matter preceding clause (1) of section  
20      1903(a), and

21      ~~(11)~~ (B) by striking out “I, X, XIV, or XVI,  
22      or part A” in section 1903(a) such clause (1) and  
23      inserting in lieu thereof “XVI or of payments under an  
24      agreement under part E”;

25      ~~(12)~~ (16) by repealing section 1903 (c) ;

~~(13)~~ (17) by striking out “highest amount which

1 would ordinarily be paid to a family of the same size  
 2 without any income or resources in the form of money  
 3 payments, under the plan of the State approved under  
 4 part A of title IV of this Act" in section 1903 (f) (1)  
 5 (B) (i) and inserting in lieu thereof "highest total  
 6 amount which would ordinarily be paid under parts D  
 7 and E of title IV to a family of the same size without  
 8 income or resources, eligible in that State for money  
 9 *supplementary* payments under part E of title IV of  
 10 this Act";

11 ~~(14)-(A)~~ by striking out "the 'highest amount  
 12 which would ordinarily be paid' to such family under  
 13 the State's plan approved under part A of title IV of  
 14 this Act" in section 1903 (f) (3) and inserting in lieu  
 15 thereof "the 'highest total amount which would ordi-  
 16 narily be paid' to such family", and

17 ~~(B)~~ by striking out "section 408" in such section  
 18 and inserting in lieu thereof "section 406";

19 (18) by striking out section 1903(f)(3) and in-  
 20 serting in lieu thereof the following:

21 "(3) For purposes of paragraph (1)(B), in the  
 22 case of a family consisting of only one individual, the  
 23 'highest total amount which would ordinarily be paid'  
 24 to such family shall be the amount determined by the  
 25 State agency (on the basis of reasonable relationship to

1        *the amounts payable under parts D and E of title IV*  
 2        *to families consisting of two or more persons) to be the*  
 3        *amount which would ordinarily be payable under such*  
 4        *parts to a family (without any income or resources)*  
 5        *consisting of one person if such parts provided for pay-*  
 6        *ments to such a family.”;*

7            ~~(15)~~ (19) by striking out “~~I, X, XIV, or XVI,~~ of  
 8        ~~part A~~” in section 1903 (f) (4) (A) and (B) and in-  
 9        sserting in lieu thereof the following: “~~XVI or under an~~  
 10       ~~agreement under part E;~~ and

11            “(A) is a recipient of assistance to needy fam-  
 12        *ilies with children, as defined in section 455, pay-*  
 13        *ments under an agreement pursuant to part E of*  
 14        *title IV, or aid to the aged, blind, and disabled under*  
 15        *a State plan approved under title XVI, or*

16            “(B) is not a recipient of such assistance, pay-  
 17        *ments, or aid but*

18            “(i) is eligible therefor, or

19            “(ii) would be eligible therefor if he were  
 20        *not in a medical institution.”;*

21            (20) by striking out “has been so changed that it”  
 22        *in section 1904(1);*

23            ~~(16)~~ (21) (A) by striking out “aid or assistance un-  
 24        *der the State’s plan approved under title I, X, XIV,*  
 25        *or XVI, or part A of title VI IV, who are—” in the*

1        **matter preceding clause (i) in section 1905 (a) and**  
 2        **inserting in lieu thereof “assistance to needy families with**  
 3        **children as defined in section 405(b), payments under**  
 4        **part E of title IV, or aid under a State plan approved**  
 5        **under title XVI, who are—”,**

6            **(B) by striking out clause (ii) of such section and**  
 7        **inserting in lieu thereof the following:**

8            **“(ii) receiving assistance to needy families with**  
 9        **children as defined in section 405(b), or payments pur-**  
 10        **suant to an agreement under part E of title IV mem-**  
 11        **bers of a family, as described in section 445(a), except**  
 12        **a family in which both parents of a child or children are**  
 13        **present, neither parent is incapacitated, and the male**  
 14        **parent is not unemployed,”**

15            **(C) by striking out clause (v) of such section and**  
 16        **inserting in lieu thereof the following:**

17            **“~~(iv)~~ (v) severely disabled as defined by the Secre-**  
 18        **tary in accordance with section 1602 (b) (4), or”, and**

19            **(D) by striking out “or assistance” and “I, X,**  
 20        **XIV, or” in clause (vi), and in the second sentence of**  
 21        **such section;**

22            **(22) by striking out “effective July 1, 1969,” in**  
 23        **section 1905 (a)(4)(B); and**

24            **(23) by striking out the semicolon and everything**

1 *that follows in the last sentence of section 1905(b) and*  
 2 *inserting in lieu thereof a period.*

3 **TITLE IV—GENERAL**

4 **EFFECTIVE DATE**

5 **SEC. ~~404~~ 501.** The amendments and repeals made by this  
 6 Act shall become effective, and section 9 of the Act of  
 7 April 19, 1950 (25 U.S.C. 639), is repealed effective, on  
 8 July 1, 1971; except that—

- 9 (1) in the case of any State a statute of which  
 10 (on July 1, 1971) prevents it from making the supple-  
 11 mentary payments provided for in part E of title IV of  
 12 the Social Security Act, as amended by this Act, and  
 13 the legislature of which does not meet in a regular ses-  
 14 sion which closes after the enactment of this Act and on  
 15 or before July 1, 1971, the amendments and repeals  
 16 made by this Act, and such repeal, shall become ef-  
 17 fective with respect to individuals in such State on the  
 18 first July 1 which follows the close of the first regular  
 19 session of the legislature of such State which closes after  
 20 July 1, 1971, or (if earlier than such first July 1 after  
 21 July 1, 1971) on the first day of the first calendar quar-  
 22 ter following the date on which the State certifies it is  
 23 no longer so prevented from making such payments; and  
 24 (2) in the case of any State a statute of which (on  
 25 July 1, 1971) prevents it from complying with the

1 requirements of section 1602 or 1603 of the Social  
2 Security Act, as amended by this Act, and the legisla-  
3 ture of which does not meet in a regular session which  
4 closes after the enactment of this Act and on or before  
5 July 1, 1971, the amendments made by title II of this  
6 Act shall become effective on the first July 1 which  
7 follows the close of the first regular session of the legis-  
8 lature of such State which closes after July 1, 1971,  
9 or (subject to paragraph (1) of this section) on the  
10 earlier date on which such State submits a plan meeting  
11 the requirements of such sections 1602 and 1603;  
12 and except that (i) section 436 of the Social Security Act,  
13 as amended by this Act, shall be effective upon the enact-  
14 ment of this Act, (ii) section 203 of this Act shall be effec-  
15 tive July 1, 1970, and (iii) section 505 of this Act shall  
16 be effective upon enactment.

17 **SAVING PROVISION**

18 **SEC. 402 502.** (a) The Secretary shall pay to any State  
19 which has a State plan approved under title XVI of the Social  
20 Security Act, as amended by this Act, and has in effect an  
21 agreement under part E of title IV of such Act, for each  
22 quarter in a fiscal year beginning after June 30, 1971, and  
23 prior to July 1, 1973, in addition to the amount payable to  
24 such State under such title and such agreement, an amount  
25 equal to the excess of—

1           (1) (A) 70 per centum of the total of those pay-  
2           ments for such quarter pursuant to such agreement which  
3           are required under sections 451 and 452 of the Social  
4           Security Act (as amended by this Act), plus (B) the  
5           non-Federal share of expenditures for such quarter re-  
6           quired under title XVI of the Social Security Act (as  
7           amended by this Act) as aid to the aged, blind, and  
8           disabled (as defined in subsection (b) (1) of this  
9           section), over

10           (2) the non-Federal share of expenditures ~~which~~  
11           ~~would have been made during such quarter as aid or~~  
12           ~~assistance for the corresponding quarter of fiscal year~~  
13           ~~1971 under the plans of the State approved under~~  
14           ~~titles I, IV (part (A)), X, XIV, and XVI had they~~  
15           ~~continued in effect~~ (as defined in subsection (b) (2) of  
16           this section).

17           (b) For purposes of subsection (a) —

18           (1) the non-Federal share of expenditures for any  
19           quarter required under title XVI of the Social Security  
20           Act, referred to in clause (B) of subsection (a) (1),  
21           means the difference between (A) the total of the ex-  
22           penditures for such quarter under the plan approved un-  
23           der such title as aid to the aged, blind, and disabled which  
24           would have been included as aid to the aged, blind, or dis-  
25           abled under the plan approved under such title as in effect



1 for June 1971 plus so much of the rest of such expendi-  
2 tures as is required (as determined by the Secretary) by  
3 reason of the amendments to such title made by this Act,  
4 and (B) the total amounts determined under section  
5 1604 of the Social Security Act for such State with re-  
6 spect to such expenditures for such quarter; and

7 (2) the non-Federal share of expenditures which  
8 ~~would have been made during any quarter as aid or~~  
9 ~~assistance for the corresponding quarter of fiscal year~~  
10 ~~1971~~ under approved State plans, referred to in subsec-  
11 tion (a) (2), means the difference (*adjusted as pro-*  
12 *vided in clause (B) of the following sentence*) between  
13 (A) the total of the expenditures ~~which would have~~  
14 ~~been made as aid or assistance~~ (excluding emergency  
15 assistance specified in section 406 (e) (1) (A) of the  
16 Social Security Act and foster care under section 408  
17 thereof) for such quarter under the plans of such State  
18 approved under title I, IV (part A), X, XIV, and  
19 XVI of such Act ~~and in effect in the month prior to the~~  
20 ~~enactment of this Act if they had continued in effect~~  
21 ~~during such quarter and if they had included (if they~~  
22 ~~did not already do so) payments to dependent children~~  
23 ~~of unemployed fathers authorized by section 407 of the~~  
24 ~~Social Security Act (as in effect on the date of the~~  
25 ~~enactment of this Act), and (B) the total of the amounts~~

1      which would have been determined under sections 3,  
 2      403, 1003, 1403, and 1603, or under section 1118, of  
 3      the Social Security Act for such State with respect to  
 4      such expenditures for such quarter.

5      *Between July 1 and September 30 of each year, begin-*  
 6      *ning with 1970, the Secretary (A) shall determine the per-*  
 7      *centage by which the average level of the price index for the*  
 8      *months in the calendar quarter beginning April 1 of such*  
 9      *year exceeds the average level of the price index for months*  
 10     *in 1969, and (B) shall increase the amount computed under*  
 11     *clause (2) of the preceding sentence for any quarter in the*  
 12     *fiscal year beginning July 1 next succeeding such determina-*  
 13     *tion by such percentage. For purposes of the preceding sen-*  
 14     *tence, the term "price index" shall have the same meaning*  
 15     *as it does in section 453(c) of the Social Security Act (as*  
 16     *amended by this Act).*

17      SPECIAL PROVISIONS FOR PUERTO RICO, THE VIRGIN  
 18                                   ISLANDS, AND GUAM

19      ~~SEC. 403~~ 503. Section 1108 of the Social Security Act  
 20      is amended by adding at the end thereof the following new  
 21      subsection:

22      “(e) (1) In applying the provisions of sections  
 23      432(a), 442 (a) and (b), 443 (b) (2), 1603 (a) (1)  
 24      and (b) (1), and 1604 (1) with respect to Puerto Rico,  
 25      the Virgin Islands, or Guam, the amounts to be used

1 shall (instead of the \$30 in section 432(a), the \$500,  
2 \$300, and \$1,500 in such section 442 (a), the \$500 and  
3 \$300 in such section 442 (b), the \$30 in clauses (A) and  
4 (B) of such section 443 (b) (2), the \$1,500 in such section  
5 1603 (a) (1), the \$110 in such section 1603 (b) (1), and  
6 the \$65 in section 1604 (1)) bear the same ratio to such  
7 \$30, \$500, \$300, \$1,500, \$500, \$300, \$30, \$1,500, \$110,  
8 and \$65 as the per capita incomes of Puerto Rico, the Virgin  
9 Islands, and Guam, respectively, bear to the per capita  
10 income of that one of the fifty States which has the lowest  
11 per capita income; except that in no case may the amounts  
12 so used exceed such \$30, \$500, \$300, \$1,500, \$500, \$300,  
13 \$30, \$1,500, \$110, and \$65.

14 “(2) ~~(A)~~ The amounts to be used under such sections  
15 in Puerto Rico, the Virgin Islands, and Guam shall be pro-  
16 mulgated by the Secretary between July 1 and September  
17 30 of each even-numbered year, on the basis of the average  
18 per capita income of each State and of the United States for  
19 the most recent calendar year for which satisfactory data are  
20 available from the Department of Commerce. Such promul-  
21 gation shall be effective for each of the two fiscal years in the  
22 period beginning July 1 next succeeding such promulgation.

23 “~~(B)~~ The term ‘United States’, for purposes of sub-  
24 paragraph ~~(A)~~ only, means the fifty States and the District  
25 of Columbia.

1       “(3) If the amounts which would otherwise be promul-  
2 gated for any fiscal year for any of the three States referred  
3 to in paragraph (1) would be lower than the amounts pro-  
4 mulgated for such State for the immediately preceding period,  
5 the amounts for such fiscal year shall be increased to the ex-  
6 tent of the difference; and the amounts so increased shall  
7 be the amounts promulgated for such year.”

8       *REPORT TO CONGRESS ON MEDICAL ASSISTANCE*

9       *SEC. 504. On or before February 15, 1971, the Secre-*  
10 *tary shall submit to the Congress recommendations for re-*  
11 *structuring and improving the existing program of medical*  
12 *assistance under title XIX of the Social Security Act, includ-*  
13 *ing recommendations specifically designed to assure that such*  
14 *program will be consistent in effect with the objectives of the*  
15 *family assistance plan established by section 101 of this Act.*

16       *ADDITIONAL SUPERGRADES FOR DEPARTMENTS OF*  
17       *HEALTH, EDUCATION, AND WELFARE AND LABOR*

18       *SEC. 505. (a) Section 5108(c) of title V of the United*  
19 *States Code is amended by striking out “and” at the end of*  
20 *clause (8), by striking out the period at the end of clause (9)*  
21 *and inserting in lieu thereof “;”, and by inserting after such*  
22 *clause (9) the following new clauses;*

23               *“(10) the Secretary of Health, Education, and Wel-*  
24 *fare may place — positions in GS-16, — positions in*

1        *GS-17, and — positions in GS-18, for purposes of*  
 2        *administration of the programs included in the Family*  
 3        *Assistance Act of 1970 and related programs; and*

4                *“(11) the Secretary of Labor may place — positions*  
 5        *in GS-16, — positions in GS-17, and — positions in*  
 6        *GS-18, for purposes of administration of manpower and*  
 7        *employment programs included in the Family Assist-*  
 8        *ance Act of 1970.”*

9        *(b) For purposes of administration of the programs in-*  
 10        *cluded in the Family Assistance Act of 1970 and related pro-*  
 11        *grams, the Secretary of Health, Education, and Welfare may*  
 12        *establish one position with a rate of compensation equivalent*  
 13        *to the rate specified for level V of the Executive Schedule*  
 14        *specified in 5 U.S.C. 5316.*

15                **MEANING OF SECRETARY AND FISCAL YEAR**

16        **SEC. 404. 506.** As used in this Act and in the amend-  
 17        ments made by this Act, the term “Secretary” means, unless  
 18        the context otherwise requires, the Secretary of Health, Ed-  
 19        ucation, and Welfare; and the term “fiscal year” means a  
 20        period beginning with any July 1 and ending with the close  
 21        of the following June 30.

Passed the House of Representatives April 16, 1970.

Attest:

W. PAT JENNINGS,

*Clerk.*

**DEPARTMENT OF HEALTH, EDUCATION, AND  
WELFARE—EXPLANATION OF PROPOSED  
AMENDMENTS TO H.R. 16311**

(Explanations are not provided for wholly editorial or technical changes)

**I. FAMILY ASSISTANCE AND AID TO THE AGED, BLIND, AND  
DISABLED**

*Number of Section of Title IV or Title XVI of the Social Security Act,  
as Proposed to be Amended by Titles I and II of H.R. 16311, and Page of  
Bill.*

**442(c)(1), pp. 6-7: Period for Determination of Benefits**

This section has been rewritten to clarify the time period for redetermination of benefits. It is now ambiguous whether the redetermination becomes effective immediately or at the beginning of the following quarter.

The amended version provides for universal redetermination quarterly, but requires adjustments for essential changes in family composition and income at any time during the quarter with any change in benefits effective in the following month. All estimates of income will be based on the actual income of the preceding period unless modifications in income have or clearly will occur on the basis of changes in circumstance.

This change reduces one element of secretarial discretion and would also limit potential overpayments.

**442(c)(2), p. 7: Initial Eligibility**

This section has been written to eliminate secretarial discretion. No benefits are to be paid for periods before the month of application. In the month of initial entitlement, benefits would be prorated to reflect the date of application.

**443(a), pp. 8-9: Income Taken Net of Federal Income Tax**

This amendment provides that earned income for purposes of calculating eligibility and amount of family assistance and State benefits is based on net earnings after payment of Federal income taxes. This change will result in a lower total reduction or marginal tax rate on earnings and increases work incentives. Since unearned income results in a dollar-for-dollar reduction of benefits under the bill, it too should be taken net of Federal income tax to avoid reducing benefits by more than the unearned income a family can actually enjoy. An additional provision at the end of this section permits the Secretary to provide by regulation for the income treatment of tax refunds.

**443(b)(3), pp. 10-11: Earnings Disregard for Child Care**

This amendment reduces secretarial discretion by specifying that the amount deducted from earned income by a family for necessary child care cannot exceed the cost of comparable care established by the Secretary in section 436(c). This would prevent the possibility of unlimited deductibility of costs.

**443(b)(5), p. 11: Other Assistance Excludable**

This amendment eliminates secretarial discretion and encourages uniformity by defining the types of agencies or organizations paying excludable assistance as those exempt from income tax under section 501(a) of the Internal Revenue Code as described in sections 501(c) (3) and (4).

**443(b)(6), p. 11: Vocational Rehabilitation Allowances Excludable**

This section excludes from countable income all incentive and other allowances paid under section 437(d) to individuals referred for and receiving vocational rehabilitation services (comparable to the exclusion of training allowances under the Department of Labor programs).

**443(b)(9), p. 12: Foster Care Payments Excludable**

This section covers the case in which an FAP family provides foster care for a child who is not a member of the family for FAP purposes. To prevent penalizing low income families who provide homes for foster children, payments for such a child should not count in the income of the FAP family.

**445(b)(2), p. 14: Conform Definition of Child to Social Security Definition**

This amendment changes the upper age limit of a "child" from under the age of 21 to under the age of 22. This approach conforms with the social security definition and recognizes the fact that the 21st year is generally the last year of undergraduate education.

**445(c), p. 14: Strike State Law Reference in Determination of Family Relationships**

This section is eliminated in order to permit definition of family relationships on a nationwide basis.

**446(a)(1), p. 15: Payments of Benefits**

This amendment eliminates secretarial discretion by specifying that payments will be made at least monthly except in such cases where a quarter's benefits will not exceed \$30 in which case a quarterly payment may be made.

**446(d), p. 18: Lawyer's Fees**

This amendment removes all authority to withhold a FAP recipient's back benefits and make payments directly to a lawyer who has represented him. This change places FAP on the same basis as present AFDC practice; the collection of the fee should not be a governmental function.

**447(a), p. 20; 448(a), p. 23: Penalty for Refusal to Register for or Accept Employment or Training**

This section raises the penalty for refusal to register or accept work or training to \$500 and clearly states that it applies to each of the first two members of the family. This strengthens the incentives for work and training.

**447(d), p. 22: Periodic Review of Incapacity: Vocational Rehabilitation**

The changes made in lines 4-7 would delete the quarterly review and would provide that the frequency of redetermination would be tailored to the nature of the incapacity as is the case in redeterminations in social security. In many cases, quarterly reviews are unnecessary and would be wasteful.

**447(d), p. 22: Hearing and Review in Case of Vocational Rehabilitation**

This change would provide for hearing and appeal in the case of a person who refuses vocational rehabilitation services under the same conditions as for loss or reduction of benefits generally.

**448(b)(4), p. 25: Redefinition of Suitability**

This section restricts the recipient's right of refusal of employment on grounds of prior experience and skills to a case in which the Secretary of Labor determines that such employment is actually available in the community and the individual has not been given adequate opportunity to obtain it.

**451 and 453(a)(1), pp. 26 and 35-36: Elimination of Federal Requirement for Supplementation of Unemployed Fathers**

In order to provide for greater equity between treatment of unemployed and employed male family heads, and provide for an unbroken set of work incentives under which such men are always better off if they work more, these changes repeal the requirement for State supplementation of the unemployed fathers category and eliminate Federal matching for any such State payments.

**452(a) and (b), pp. 26-29: Minimum Level of State Supplementation**

This change provides a new and much simpler method of determining the minimum required level of State supplementation. It also revises and simplifies the earnings disregard under the supplemental plan. On the basis of the State payment level as of January 1970 (for a family with no other income) and taking into account variations in shelter costs throughout the State, the Secretary will determine the basic minimum "payment level" for families of that size in the State. This will eliminate the unfortunate effect of the present bill which presents complicated State variations for age and sex of family members and for special needs. It also eliminates need for reference to State "standards" which in many States are artificial and bear no relation to actual payment. The minimum required supplementation for families would then be determined through the application of the relevant provisions of part D. The minimum supplemental payment would be the difference between the payment level defined above and the sum of the basic family assistance benefit plus countable income under the supplementary plan. (As under the House-passed bill, the required payment level would not exceed the poverty level.)

This treatment results in greater uniformity of benefit payments within a State, as well as encouraging greater comparability among States.

The new section 452(b) largely duplicates the comparable provision of the House-passed bill but defines the earnings disregard slightly differently for purposes of figuring the amount of supplemental benefits. The first \$720 of annual earning plus one-third of the remainder would be disregarded. Under the House-passed bill one-third of earnings up to twice the amount of the FAP payment if the family had no other income would have been disregarded plus one-fifth thereafter.

**452(b)(8), p. 31: Part E, No-Lien Provision**

Provides that no lien will be imposed on property of the family and no recovery will be made on account of valid payments under part E. This was the intent of the Administration under H.R. 16311 but additional clarifying language is needed.

**453(c)(1), p. 37: Families Size 7-11**

Under H.R. 16311 the effect of using a single average poverty level for families of seven or more would be to limit Federal financial participation with respect to large families even though the earnings of such families do not bring them up to the poverty level. Spelling out the level for families of more than seven adds no serious administrative complexity and appears more equitable to both the States and the families. Also the figures have been revised to produce more regular intervals between families of one size and the next.

**461, pp. 39-42: State Agreements**

**Section 461(a), pp. 39-40**

This amendment authorizes the Secretary to pay all the State's administrative costs necessary to carry out its agreement to make supplementary payments for a transitional period of up to 2 years if the State has entered into



an agreement, with a future effective date, for the Secretary to administer its supplemental payments. If the State prevents the Secretary from eventually making these supplementary payments, the Secretary is required to recover one-half the administrative costs (which the State would have provided under the general formula).

**Section 461(b), pp. 40–41 (new)**

This subsection authorizes the Secretary, on behalf of a State, to determine eligibility for medical assistance, or for surplus food commodities, or to administer the State's food stamp program, with respect to the classes of adults covered by title XVI if the State has an agreement allowing the Secretary to administer title XVI, or with respect to all other persons if the State allows the Secretary to make its supplementary payments, if any. The State reimburses the Secretary, at whatever is the usual rate, for these additional expenses of the Secretary in performing these functions. This and the succeeding change are designed to facilitate a State's choice to move toward Federal administration of its cash payment since, if it had to retain a field organization to perform similar functions for other programs, it might not find Federal administration of payments under this act economical. Moreover, this will permit administration of assistance programs from a single source more convenient for the recipient.

**Section 461(c), pp. 41–42 (new)**

If the State has given the Secretary all its eligibility determining functions under the Social Security Act, the Secretary may agree (but only if he finds it will be administratively feasible) to determine eligibility and administer payments with respect to all or part of the State's general assistance program. As in the preceding section, the State will reimburse the Secretary for additional administrative expenses and for the costs of cash payments.

**Section 461(d), p. 42, (new)**

With respect to any functions which the Secretary performs on behalf of a State he may substitute his own administrative rules and procedures which he applies under part D in place of those which the State would be required by Federal statute to observe. This will permit the Secretary to administer programs for many States under a uniform set of procedures.

**465, pp. 45–46: Provision for Food Stamp Checkoff**

This section provides that persons receiving family assistance or State supplementary benefits may request the Secretary or the State to withhold the amount of benefits necessary to purchase part or all of the food stamp allotment to which the recipient is entitled. This unified administration is designed to facilitate coordination of services and to reduce administrative costs at the national and local levels. It represents a step toward standardization of food and cash programs, and furthers the concept of the "one window" approach to cash and in-kind programs.

**436(a)(1), pp. 55–58: Construction Grants for Child Care**

These changes go beyond the provision for alteration and remodeling of physical facilities for child care which was present in the House bill and permit, in addition, the use of grant funds for new construction—but only where the Secretary finds alteration of existing facilities was not feasible and only in the case of public or nonprofit private sponsors.

**437(a), pp. 59-60: Provision of Vocational Rehabilitation to Referred Individuals**

This clarifying change would delete the words "vocational rehabilitation" from line 10 and add the clause on line 16 which mandates vocational rehabilitation services as defined in the Vocational Rehabilitation Act to persons referred under section 447(d). This also allows for 90-percent matching for services to those who, after evaluation, are judged handicapped and with vocational rehabilitation potential. The evaluation of incapacity and certification of exemption from the work registration requirement provided under section 447(d) would not be a cost attributable to this section.

**437(d), p. 60: Vocational Rehabilitation Allowances**

The new subsection (d) assures the handicapped FAP recipients referred for rehabilitation services under section 447(d) the same work incentive and allowances for necessary expenses as are supplied the able-bodied in section 432(a)(1) and (2).

**1603(a), p. 85: Disregard of Work-Related Expenses**

This change limits the work-related expenses that may be disregarded in determining earnings under title XVI to those expenses necessitated by the individual's age, blindness, or disability. This change reflects the liberalization in the basic earnings disregards for the aged and the disabled pursuant to section 1603(a)(5), modified as indicated below.

**1603(a)(1)(A), p. 85: Exclusion of Automobiles from Resources in Title XVI**

This change would specifically exclude the automobile from countable resources in the case of the aged, the blind, and the disabled. This is desirable because of the special transportation needs of this group, and because members of this group could not normally be able to exclude automobiles as essential to self-support as would be true in the case of family assistance.

**1603(a)(5), p. 87: Mandatory Disregard of Earnings of the Aged**

This change makes it mandatory (rather than optional) to disregard, in the case of the aged, the first \$60 per month of earnings plus one-half the remainder.

The earnings disregard provision for other assistance recipients is already mandatory. The extension of this requirement assures that the aged will have the benefit of the earnings disregard.

**1603(b)(1), pp. 87-88: Maintenance of Level of Payments in Title XVI**

This section would provide that States with payment levels for the aged, blind, or disabled of more than \$110 per month (as of January 1970) will be required to at least maintain those levels under the new title XVI program (rather than to maintain their "standards" as provided under the House-passed bill).

**Section Number and Page of Bill****402(3), p. 131: Repeal of Limits on Payments to Puerto Rico, the Virgin Islands, and Guam**

In view of the effort throughout the bill to treat Puerto Rico, the Virgin Islands, and Guam in an equitable manner, as compared with the States, by reducing if necessary the payment levels to reflect the ratio of the per capita income of those areas to that of the State with the lowest per capita income, it is necessary to remove the dollar ceilings on Federal payments to these areas with respect to cash assistance payments and services. This is a conforming change that was previously overlooked by the administration.

**404(22), p. 145: Inclusion of Unemployed Fathers Under Medicaid**

This change permits a State to provide or continue to provide medicaid coverage, with Federal matching to the unemployed father category.

**402(7)(c), pp. 135-136: Failure of State To Comply with Plan or Agreement**

This change would provide that whenever the Secretary of HEW determines that a State plan under title XVI, XIX, or XX (or any part of the plan), or an agreement relating to part D or E of title IV or to title XVI, no longer complies with requirements for approval, he may ask the Attorney General to bring suit to enforce the plan or agreement. This would provide an alternative to the termination of Federal payments in cases of noncompliance.

**501, p. 147: Continuation of \$4 "Pass-Along" under 1969 Social Security Amendments**

This change would make continuation of the \$4 pass-along under the 1969 social security amendments effective for July 1970 rather than July 1971. (Conforming and clarifying amendments are made on p. 70, line 16 (sec. 1603 (a)) and on p. 84, line 19 (sec. 202)).

**502, pp. 147-150: State Saving Provision**

This change (1) makes the guarantee against increases in State assistance payments permanent, rather than effective only for fiscal years 1972 and 1973 (p. 96, lines 15 and 16) and (2) provides a new method of calculating the extent of State liability for future assistance cost increases. States will be "held harmless" as to costs required by the act in excess of State expenditures in fiscal year 1971 for AFDC and the adult categories to the extent that such costs exceed increases in the cost of living. States will, however, be liable for the State's share of increased payment costs resulting from voluntary increases in its payment levels.

**504, p. 152: Study of Medical Assistance**

This new section would require the Secretary to submit recommendations to the Congress, on or before February 15, 1971, for the restructuring and improving the medicaid program. It would require that the recommendations specifically include proposals designed to assure that the effect of medical assistance program for the needy will be consistent in effect with the objectives of the FAP. This provision is designed to put legislative backing behind the Administration's commitment to introduce a family health insurance plan at the beginning of the next session of Congress.

**505, pp. 152-153: Position Requirements**

In order to accomplish the massive tasks of building an administrative system for the family assistance plan, language is included to specify the need for one executive level V position for the FAP Agency Administrator and the need for supergrade positions in both the Department of HEW and the Department of Labor (the numbers and descriptions of these positions will be available in 2 to 3 weeks).

This provision would become effective upon enactment.

## II. INDIVIDUAL AND FAMILY SERVICES AND CONSOLIDATED HEALTH, EDUCATION, AND WELFARE PLANS

These amendments consolidate the social services authorities in the Social Security Act, repealing the relevant provisions of titles I, IV (parts A and B, X, XIV, and XVI) and replacing them with a new title XX. Part A of title XX contains the new consolidated services program, called "individual and family services," and part B proposes certain new authorities—granted pursuant to submission of a Consolidated Health, Education, and Welfare Plan—designed to permit the tailoring of the Department's services programs to fit local needs.

### A. Part A—Individual and Family Services

#### 1. *Authorized Activities*

Part A of title XX would authorize Federal assistance for States which establish a comprehensive program of individual and family services. These services are defined to include the full range of family and child welfare services, services in support of manpower training and employment programs, foster care and adoption services, self-care and protective services for adults, and temporary emergency assistance (both cash and emergency services). Payments for foster care (which must meet standards prescribed by the Secretary) may include payments for medical care which is not otherwise available, and adoption services have been broadly defined to include payments to adoptive parents to provide them with necessary assistance in meeting the medical or remedial needs of a child who is hard to place because of a physical or mental handicap.

#### 2. *Eligible Individuals*

Any individual or family in the State whose income does not exceed the poverty level is eligible for needed services, which must be provided without charge to the extent they are available. Persons with incomes above the poverty line may receive services on a fee basis, with the fee on a sliding scale related to income. (To ensure targeting of funds on the neediest group, the States may not use more than 10 percent of their funds to subsidize services for persons above the poverty line.) Fees are not required, however, for persons receiving information, referral, follow-up or related services, protective services, or adoption or foster care services, and no person registered pursuant to the requirements of the Family Assistance Plan may be charged for any services in support of his training or employment program.

#### 3. *Service Areas and Program Sponsors*

In order to be eligible to participate in the Federally-assisted program, the Governor must first divide the entire State into service areas. Secondly, he designates, to administer the program in each service area, either a State agency or a local prime sponsor (which is a unit of general local government in the service area, or a public agency designated by such governmental unit). However, in any city with population of 250,000 or more, a "self-designation" option is available under which the chief elected local official may choose to designate that city as a service area and designate a local prime sponsor of his choice to administer the

program. Any agency or sponsor designated must be completely separate from an agency providing cash assistance, although they may be grouped as separate units within an "umbrella agency."

#### ***4. Area and State Plans***

The Governor must then require each local prime sponsor to submit an area plan, which describes the services which will be provided in that service area, eligibility conditions which will be imposed, and contains all the other provisions required of State plans (described below). If the Governor finds that an area plan complies with the statutory requirements, he must approve it. An appeal procedure to the Secretary is provided for cases in which the Governor declines to approve an area plan. Area plans must conform to State law, except that in those large cities where the Mayor self-designates the local prime sponsor, the municipality must be permitted real freedom to shape its services program, and may not be limited by State-determined priorities, or organizational or other rules.

The State plan, which is submitted by the Governor, is a composite of the programs described in the area plans (if any) and the program which will be administered by the State agency. Only the area plans from the cities which have self-designated the local prime sponsor must be submitted as part of the State plan. The plan must also describe an acceptable intra-State allocation of Federal funds which will be made.

The State plan must include assurances with respect to a wide range of matters, including undertakings to provide a balanced program of services, to coordinate individual and family services provided under any other State program so as to eliminate duplication among those programs, and to make protective services available State-wide by 1975. In particular, the State must provide assurances as to specified levels of activity and performance against which its achievement can be monitored.

#### ***5. Sanctions and Evaluation***

The Secretary is given the same termination authority in the case of noncompliance as he has under the other public assistance titles of the Act (and the judicial review and specific performance provisions of section 1116 have also been made applicable to title XX).

The Secretary is directed to conduct an evaluation of each State's program of individual and family services at least every two years and to make available to the news media a report of his results and conclusions.

#### ***6. Project Grants by the Secretary***

Separate authority is provided for a program of project grants and contracts for a wide range of activities related to individual and family services, including projects to plan for the establishment of the services programs, to achieve the coordinated provision of such services from all sources within the State, and to provide technical assistance, research, demonstrations, training, and evaluation. Funds may be provided for up to 90 percent of cost, and for 100 percent if the Secretary finds that full payment is necessary to successful implementation of the project.

### **7. Government Assistance Program**

A separate Government Assistance Program is established to provide aid to Governors and the chief executives of cities, counties, and other general purpose local governments, and to tribal councils, to strengthen the capacity of their offices to plan, manage, and evaluate health, education and welfare programs on an effectively coordinated basis. To this end, grants may be made to support comprehensive planning, evaluation, training of persons in employment related to such programs, technical assistance to agencies administering such programs, and systems analysis, including program budgeting and information systems.

Support for any particular project may continue for only 3 years, with Federal matching declining from 75 percent to 65 percent and to 50 percent over that period (unless the project is jointly undertaken by two or more chief executives, in which case the rates may be raised to 95 percent—85 percent—70 percent).

### **8. Adoption Information Exchange**

A national adoption information exchange system is authorized to assist in matching children awaiting adoption with families seeking children. This program is to be carried out within the United States and on a cooperative basis with any other country. One million dollars is authorized for these activities.

### **9. Financing**

Such sums as may be necessary are authorized to carry out the Federal-State individual and family services program, and to support the various project grants and contracts authorized under part A. From this basic appropriation, the Secretary will reserve 10 percent for project grants and contracts, Government Assistance grants, and evaluation. The remainder will be allotted according to a formula based in part on the State's share of Federal service expenditures in fiscal 1971, and in part on the poverty population in the State. Not more than half of this 10 percent reserve may be spent under the Government Assistance Program.

Also, \$50,000,000 is separately authorized for fiscal 1972 (and such sums as may be necessary for the next three fiscal years) for allotments to assure more equal service expenditures by States which, in fiscal 1971, are below the national average. Finally, \$150,000,000 is separately authorized to be appropriated for foster care and adoption services. The foster care and adoption money is allotted on the basis of the child population in the State.

Federal matching is at the rate of 75 percent for individual and family services, including foster care and adoptions, except that (1) services in support of manpower activities are matched at 90 percent, (2) temporary emergency cash assistance is matched at 50 percent, and (3) \$300 per year per child receiving foster care is available without any requirement of a non-Federal share. All appropriations are closed-end, in other words they are limited by the State's allotments, except that emergency cash assistance will be matched on an open-ended basis.

**B. Part B—Consolidated Health, Education, and Welfare Plan**

Part B would authorize the Governor of each State to submit a single consolidated plan including his program of individual and family services and any one or more of his State's health, education, and welfare programs. (Medicaid and cash public assistance programs are excluded.) The plan must meet all the statutory requirements applicable to the State plans normally required for each included program, and must also designate an official or agency, reporting directly to the Governor, to see that all necessary steps are taken to assure coordinated planning and administration of included programs. The plan must also permit any political subdivision, with respect to portions of the included programs which it administers, to exercise the option for transfer of funds (described below), and must describe any such transfers at both the State and local levels that will take place.

If the Secretary finds that all the requirements are met, he shall approve the consolidated plan. Approval can only be withdrawn after notice and opportunity for hearing if the Secretary finds that a plan condition is not being met.

Upon approval of a consolidated plan, the Secretary would be authorized, at the request of the Governor, to establish a single non-Federal matching share for all the included programs, based on the weighted average of the non-Federal shares under the included programs. The Governor is permitted to transfer up to 20 percent of the Federal assistance available for one such program for use in one or more other included programs, so long as he does not increase the "receiving" program by more than 50 percent of the amount originally available to it.

**C. Part C—General**

Part C of the new title contains the standard joint funding authority which currently is contained in the Older Americans Act, the Juvenile Delinquency and Youth Offenses Control Act, and the Economic Opportunity Act. It also contains some definitions applicable to the entire title.

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**PART 6**

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**Clarification of Certain Department of Health, Education, and  
Welfare Regulations**

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## CLARIFICATION OF CERTAIN QUESTIONS CONCERNING THE WORK INCENTIVE PROGRAM

(The following State letter is being transmitted by the DHEW to State welfare agencies in order to clarify questions relating to the work incentive program that were raised by the Committee on Finance)

### TO ADMINISTRATORS OF STATE PUBLIC WELFARE AGENCIES

The purpose of this State letter is to clarify Federal regulations on child care services (45 CFR 220.18) and on individuals appropriate for referral to the work incentive program (45 CFR 220.35(a)(1)(iv)).

#### *Child Care Services*

Federal regulation, 45 CFR 220.18, with regard to child care services states, "Such care must be suitable for the individual child, and the parents must be involved and agree to the type of care to be provided." A question has been raised whether, if a suitable day care facility were available to a parent, she could nevertheless refuse to use the particular facility and on this basis, without penalty, refuse to accept referral to the WIN program for training or unemployment.

This was not the meaning of the regulation. It means, instead, that if there were more than one kind of day care available, such as family day care or group day care, the parent should be given a choice as to the type of care she would like to have for her child. However, when there is only one facility available, she must accept that facility unless she can show that the facility is unsuitable for her child.

The regulation will be rewritten to clarify this point.

#### *WIN Regulation—Appropriate Individuals*

In order to remove misunderstandings which seem to have arisen about the intent of the WIN regulation in 45 CFR 220.35(a)(1)(iv), this regulation will be rewritten. This section of the regulation will continue to specify that the State must refer to WIN, unemployed fathers, and youth and essential persons age 16 or over who are not in school, at work, or in training and for whom there are no educational plans under consideration for implementation within the next three months. The regulation will be revised to make it clear that the State has the obligation of deciding which other groups of individuals are appropriate for referral in accordance with criteria established in the

State plan. While the legislation leaves to the State the definition of who is "appropriate" for referral, the State must explicitly decide that question and should understand that the Federal categories of required referral are in no way limiting. In making its decision, States may wish to keep in mind the categories of exemption from work registration contained in H.R. 16311, the Family Assistance Act as passed by the House. Of course, if this act passes, these provisions will displace State discretion on this issue. Section 447(b) states that:

"An individual shall not be required to register pursuant to subsection (a) if the Secretary determines that such individual is—

"(1) unable to engage in work or training by reason of illness, incapacity, or advanced age;

"(2) a mother or other relative of a child under the age of six who is caring for such child;

"(3) the mother or other female caretaker of a child, if the father or another adult male relative is in the home and not excluded by paragraph (1), (2), (4), or (5) of this subsection (unless the second sentence of subsection (a), or section 448(a), is applicable to him);

(4) a child who is under the age of sixteen or meets the requirements of section 445(b)(2); or

"(5) one whose presence in the home on a substantially continuous basis is required because of the illness or incapacity of another member of the household.

An individual who would, but for the preceding sentence, be required to register pursuant to subsection (a), may, if he wishes, register as provided in such subsection."

Sincerely yours,

STEPHEN P. SIMONDS, *Commissioner*.

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